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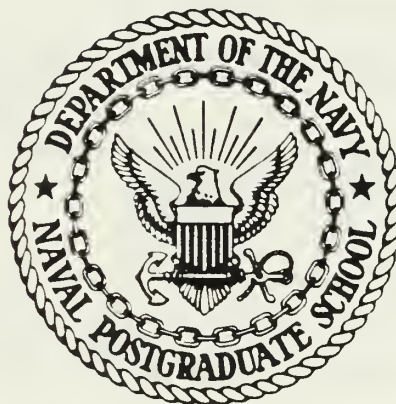






# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

JAPAN'S EMERGING ROLE AS AN ASIAN-PACIFIC POWER

by

Edward Ok Su Andrews

June 1986

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JAPAN'S EMERGING ROLE AS AN ASIAN-PACIFIC POWER

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Submitted in partial fulfillment of the  
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## ABSTRACT

In view of the rapidly changing security environment surrounding Japan--the growing Soviet military buildup, the relative decline of U.S. military, economic, and diplomatic power, and the growing influence of its regional neighbors in the Asian-Pacific region, the time has arrived for Japan to consider assuming greater responsibilities in its security and diplomatic policies.

Until recently, Japan, despite its strong economy, has had no clearly defined role either in international politics or in the politics of the Asian-Pacific region. This thesis examines how Japan is becoming increasingly aware that it must play a more active role in the Asian-Pacific region and of the responsibilities it should assume for regional development. In addition, this thesis examines Japan's position and relations with the countries in the Asian-Pacific region, and considers the problems and options which face Japan in its quest for a comprehensive and credible strategic plan for maintaining its national security.



## TABLE OF CONTENTS

I.	INTRODUCTION .....	8
II.	JAPAN'S SECURITY POLICIES .....	14
	A. ECONOMIC SECURITY .....	16
	B. DEFENSE POLICY .....	25
	1. Japan's Self-Defense Forces .....	27
	2. Defense Expenditures .....	31
III.	JAPAN'S RELATIONSHIP WITH THE UNITED STATES .....	35
	A. THE US-JAPAN ALLIANCE .....	36
	B. BURDEN SHARING .....	40
	C. THREAT PERCEPTIONS .....	42
	1. The Japanese Perception of Defense Issues .....	42
	2. The American Perception of Defense Issues .....	44
	D. OUTLOOK FOR THE FUTURE .....	45
IV.	JAPAN-USSR RELATIONS .....	49
	A. JAPANESE-SOVIET ECONOMIC RELATIONS .....	50
	B. THE POLITICAL ARENA .....	56
V.	JAPAN AND NORTHEAST ASIA .....	67
	A. RELATIONS WITH CHINA .....	69

1. Taiwan .....	75
B. THE KOREAN PENINSULA .....	77
1. South Korea .....	77
2. North Korea .....	85
VI. JAPAN AND ITS ASIAN-PACIFIC NEIGHBORS .....	89
A. RELATIONS WITH ASEAN .....	89
B. RELATIONS WITH AUSTRALIA AND NEW ZEALAND .....	101
C. THE PACIFIC COMMUNITY CONCEPT .....	108
VII. CONCLUSIONS .....	114
LIST OF REFERENCES .....	120
BIBLIOGRAPHY .....	134
INITIAL DISTRIBUTION LIST .....	140

## LIST OF TABLES

1.	NET OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC* COUNTRIES TO DEVELOPING COUNTRIES (1971-1984) .....	20
2.	GRANT ELEMENT IN JAPAN'S ODA (%) .....	21
3.	TEN MAJOR RECIPIENTS OF JAPAN'S ODA .....	22
4.	MAJOR PROJECTS OF 56 CHUGYO .....	28
5.	RATIO OF DEFENSE EXPENDITURE TO GNP (% GNP), SELECTED COUNTRIES .....	32
6.	COMPARISON OF DEFENSE EXPENDITURE AND MILITARY MANPOWER, 1978-1983 .....	33
7.	TRENDS IN LEVEL AND SHARE OF JAPAN'S DEFENSE EXPENDITURES (FY 1955-1985) .....	38
8.	MAIN TRADE ITEMS (JAPAN-USSR) .....	51
9.	JAPAN'S TRADE WITH CHINA (\$ MILLIONS) .....	70
10.	JAPAN'S TRADE PARTNERS IN SOUTHEAST ASIA (1981-1983) .....	91
11.	ARE THE SELF-DEFENSE FORCES NECESSARY? .....	116

## LIST OF FIGURES

2.1	Authorized and Actual Number of SDF Personnel .....	30
4.1	Soviet Military Activities Around Japan .....	58
4.2	The Northern Territories .....	59
4.3	Deployment of Armed Forces in and Around Japan .....	64



## I. INTRODUCTION

Geographically, racially, culturally, and historically, Japan is part of Asia. For more than a century, Japan has been seeking to reconcile its sense of Asian identity with its desire for international status and the security provided by a commitment to the Western international order. However, from the political and military perspectives, postwar Japan has remained in many respects, a limited power. Japan has the potential to be a major world power in both political and military aspects, but how soon will this potential be translated into reality?

Regardless of the wishes or perceptions of its people, Japan is finding itself in the role of a pace-setter, taking its place beside those of other world leaders. Along with the prestige of being an international actor comes not only increased visibility but also vastly increased responsibilities. With all due credit to the industrious, conscientious, and disciplined nature of the Japanese people, it cannot be denied that the phenomenal economic successes they enjoy would not have been possible without a national security policy which has been relatively cheap and effective. On the other hand, the Japanese cannot be fully held responsible for assuming only limited military responsibilities--there was a view in Washington that growth in Japan's economic power was in itself one effective way to counter the expansion of Soviet strategic influence [Ref. 1: p. 19]. Therefore, as long as the United States, with its world-wide nuclear deterrent and strong armed forces, maintained its defense commitment, Japan's security was virtually guaranteed. Moreover, since Japan's internal security did not constitute a problem, it found little need to embark on an expansion of its own military forces, relying on the guarantee of the "security blanket" provided by the United States.

These conditions are now changing, however. The security picture in the Asian-Pacific region has become more complicated, creating pressures for Japan to enlarge its political and defense postures. The Soviet Union has markedly strengthened its military power and posture for the past several years. It has been increasing the force levels, both qualitatively and quantitatively, of its military. The buildup of Soviet forces is based on a much broader and more aggressive long-range strategy than its earlier buildup against China. Japan has yet to increase its defense forces on a scale comparable to those countries with similar economic potential. It must face the reality of the need to reassess its political and security policies because of shifting strategic relations in Asia.

The Soviet military buildups in Soviet Asia and the Western Pacific, and the relative decline in American power pose new security problems for Japan. Improved Soviet air and naval projection capabilities are beginning to limit the once unchallenged global influence of US forces, while increasing the Soviet ability to project power into the region. Moreover, Soviet expansion of influence to strategically important Third World countries such as Ethiopia, Vietnam, and Afghanistan further strengthens the USSR's position. [Ref. 2: p. 7] Indeed, the fact is that the United States can no longer afford to go it alone in the Pacific Basin. Manpower requirements are becoming more urgent and costly:

We are faced with the widening gap between the forces on hand and the forces needed to fulfill our global commitments. Our threats grow faster than our capabilities. We are spread far too thin. . . . [Ref. 3: p. 30]

The new environment forces Japan to reassess its national interests and defense policies--does Japan have sufficient defense capability to cope with the changing security environment, to pursue and protect those national security interests?

The growth of Soviet military power in the Pacific also raises the question of the role the United States will play in the future--the relative parity in the US-USSR strategic nuclear balance has somewhat weakened the credibility of the American nuclear deterrent. Indeed, a perception of American weakness has slowly been evolving since the 1970s. The Nixon Doctrine and the US defeat in Vietnam, the consideration of troop withdrawal from the Korean peninsula, and the "swing-strategy" (the movement of American naval forces from the Western Pacific to the Indian Ocean in the event of a Middle East contingency) have all contributed to misgivings among US allies in Asia about the credibility of the American commitment [Ref. 4: p. 157]. Moreover, the relative decline of American economic power, as manifested in the more than \$39 <sup>1</sup> billion trade deficit with Japan in 1985 [Ref. 5], further enhances this perception of weakness.

What might this perception of the United States portend for Japan? Japan has always been interested in achieving its goals of prosperity and security, but it also has ambitions of acquiring greater international status, tending to lead the country in the direction of exerting a more active influence in world affairs. This is particularly true in the Asian-Pacific region where it may have to take a more active and less aligned position in the struggles for influence in the region along with other major actors, such as the United States, the Soviet Union, and China. Events of the late 1960s and early 1970s provided an impetus for Japan to search for ways in which it could play a more active role in international affairs. The Nixon shocks and the oil crises forced the Japanese to take a realistic look at their lack of political clout and economic invulnerability.

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<sup>1</sup>Unless otherwise stated, all monetary figures are US\$.

Events in more recent times seem to further confirm this trend towards a search for a greater political role commensurate with its economic strength. For example, immediately upon taking office in November 1982, Prime Minister Nakasone Yasuhiro<sup>2</sup> began to pursue positive policies in such areas as defense and foreign policy. Before his succession as prime minister, Nakasone held several ministerial posts such as Minister of Transport, Minister of International Trade and Industry, and Director-General of the Defense Agency [Ref. 6], so he is not a newcomer to questions concerning defense and international matters.

Nakasone's major diplomatic success in the Asian-Pacific region has been the improvement of relations with South Korea. Before he took office, Japanese relations with Korea had chilled because of an impasse on negotiations concerning an economic aid package. In an attempt to ease the economic tensions between the two countries, he offered South Korea a \$4 billion loan over a seven-year period during his visit there in January 1983. That event marked a new era in bilateral relations between Japan and South Korea when Nakasone became the first Japanese Prime Minister since World War II to visit Seoul; South Korean President Chun Doo Hwan reciprocated with a visit to Japan the following year. Although this diplomatic exchange did not immediately solve all of the economic and political problems between the two countries, it did however, assure that Japanese-Korean relations were once again on a smoother course.

In the succeeding months, Prime Minister Nakasone visited President Reagan in Washington and made assurances that he would strengthen Japan's defense commitment; he also settled the issue of military technology transfer by making the

---

<sup>2</sup>In accordance with Asian custom, all Asian names appearing in this thesis will be given with their family name first.



United States an exception to the arms export ban. After his visit to the United States, he embarked upon a two week tour of the five non-Communist countries in the Association of Southeast Nations (ASEAN)--Indonesia, Malaysia, the Philippines, Singapore, and Thailand-- in May 1983. The main purpose of his trip was to dispel any anxieties about the possible threat to ASEAN's security posed by a remilitarized Japan. He reassured the leaders of ASEAN that Japan would maintain a sufficient self defense capability well within the context of the US-Japan Security Treaty and within the limits prescribed by Japan's constitution as a means of fulfilling both US and NATO expectations for shouldering a greater share of the defense burden in East Asia. [Ref. 7: pp. O4, O5] Reviews of Prime Minister Nakasone's trip by the Southeast Asian press were generally favorable. ASEAN's approval of Japan's renewed defense efforts was, in effect, a "qualified endorsement" [Ref. 8: p. 13].

In light of these perceptions and developments in the Asian-Pacific region, what should be the objectives of Japan? As much of the future will be shaped in Asia, the maintenance of stability in this region--vital to achieving global peace--is clearly one important objective. Another objective would be Japan's involvement in the social, economic, and political development of the region sufficient to deter foreign threats. Finally, Japan should continue its policy of "skillful diplomacy", that of maintaining smooth relations and building ties with diverse countries of this region which share fundamental interests. Peace and stability in the region will assure a favorable geopolitical environment for Japan's own security, and the maintenance of an economically prosperous and politically stable Asia-Pacific will serve as a safeguard against Soviet influence.

While Japan has managed to become a major power without also becoming a major military power, will this stance continue to be a viable one? For a nation whose

influence in a complex regional environment is increasingly becoming more pervasive, Japan will find that it must develop a workable plan whereby it can assume its rightful role, and at the same time protect its own political and economic interests.

Japan has managed to avoid the realities of international politics to a degree extraordinary for a country of its immense economic power and importance, but the time has arrived for Japan to confront these realities on the international scene, and it will do so out of the policies and the pattern of external relations developed during the past years of its "omni-directional" diplomacy. Already there has been a significant shift in Japanese attitudes toward foreign affairs. Japan has adopted a more realistic approach to security matters as evident in the continuing debate over the expansion of conventional military capabilities, and in diplomatic moves which are calculated to prove its abilities to move independently of the United States. Though Japan is sometimes hampered by its domestic policies, the opportunity is there for a fresh and vigorous orientation to both global and regional international relations involving broader Japanese participation.

As will be examined in greater depth in the course of this thesis, Japan will accomplish its objectives by continuing to pursue its political and economic policies of strengthening peace and stability not only in the Asian-Pacific region, but world-wide as well. Increased economic assistance, cultural diplomacy, and political involvement will be the instruments by which Japan will assume its position as an international state.

## II. JAPAN'S SECURITY POLICIES

Japanese leaders believe and continually emphasize that non-military measures, to include political persuasion and pressure, and economic and technical assistance, are alternative ways to assure security. Japan's perspective on national security issues can be best understood in the Japanese concept of "comprehensive security":

In order to ensure Japan's peace and security, it is necessary to promote various measures in diplomatic, economic, defense and other fields in a harmonized manner from the viewpoint of comprehensive security. Among these measures, defense capability is what may be called the last resort Japan can rely on when it faces armed attacks. [Ref. 9: p. 49]

This rather vague policy was first articulated by the government of Prime Minister Ohira and continued by Prime Minister Suzuki. The nature of this concept is based on two underlying principles, that first of all, Japan's security is not exclusively dependent upon its military capabilities, and secondly, Japan's foreign and domestic policies must be developed in a comprehensive and consistent fashion. [Refs. 10,9] It wasn't until 1981 that Prime Minister Ito spelled out the policy in a more concrete manner:

- (1) Continuation of the US-Japan security relationship
- (2) Moderate but high-quality military capabilities to be used exclusively for defense
- (3) International economic cooperation
- (4) International cooperation and collaboration in energy resources, science, and technology [Ref. 11: p. 169]

In view of these principles, how could this concept of comprehensive security be interpreted? First of all, it could be seen as a transitional stage for Japan, one that is moving from an almost excessive emphasis on economics as a diplomatic tool, to one that is gradually broadening the scope of its foreign policy objectives, possibly including defense. Secondly, it could be interpreted as Japan's implicit recognition of the fact that it can no longer pursue its economic policies without taking into account the interests of other economic powers and the political ramifications thereof. Finally there is an awareness that continuing the security arrangements with the United States and international economic cooperation entail a more active diplomatic and foreign policy role for Japan. [Ref. 11: p. 170]

If comprehensive security implies a transition to a more active involvement in international affairs, how will Japan assume such a world role? Based on its past emphasis on economics, it is reasonable to predict that Japan will slowly and gradually become more diplomatically active, especially in those areas which have a direct bearing on Japanese economic issues. This could be done by the strengthening of equitable trade relations and by augmenting the level of economic aid. However, economic power alone cannot afford the basis for an adequate foreign policy. Japan is beginning to find with the latest upsurge in protectionist sentiments, that it cannot continue to assume its economic growth poses no threat or challenge to the rest of the world, nor can it not afford to protect the political and economic systems from threat of external aggression. Tokyo must face up to the inescapable reality of the problem of its national security and strengthen its self-reliant efforts.

But what if Japan decides not to follow this course? One alternative would be for Japan to adopt a posture of unarmed neutrality, but this concept is seriously flawed because of its basis on the precept of "socialist benevolence". The outbreak of



Sino-Soviet border wars, the Soviet invasion of Afghanistan, and the shooting down of a Korean jetliner, however, all erode the credibility of this stance. Even the major proponents of this idea--members of the Japan Socialist Party--have moved away from a once firmly held doctrine, due largely to the obvious lack of a viable defense and foreign policy [Ref. 12: p. 56]. Because of domestic and external pressures to modify its security situation, Japan will have to seriously consider assuming an enhanced military role as part of its comprehensive security policy.

As alluded to earlier in this chapter, defense is only one aspect of Japan's comprehensive security plan. In Japanese eyes, because of its economic preponderance, maintaining and promoting its economic security is just as important as, if not more important than, increasing its military power. The following section will examine the importance of economic security and how it has become a tool by which Japan is becoming more politically involved with its neighbors in the Asia-Pacific region.

#### A. ECONOMIC SECURITY

Japan's dominance in the world trade market is a topic with which many are familiar, but what is overlooked by just as many is the fact that Japan has been emerging as a constructive provider of economic assistance to, and a major overseas investor of developing countries. Because of Japan's geographic location, most of its neighbors are developing countries. As a result, Japan has enormous trade and investments with them. Along with the increase in Japan's economic wealth has been an increase in its dependency on the lesser developed countries (LDCs) for natural resources and energy supplies. The political stability and economic development of developing countries can therefore be said to have major impact upon Japan's own economic security, and the future course of North-South problems can be expected to have a far-reaching effect on the future of Japan's economy.

Japanese leaders have begun to envision their country becoming a world leader not only in the economic sense but in the political and diplomatic aspects as well. This has been seen in their attempts to solve the Third World debt crisis and in championing the South's cause in international meetings. For instance, at the London summit meeting in 1984, Prime Minister Nakasone interceded on behalf of several Latin debtor nations for stretching debt payments. In addition, Japan has been leading the drive to expand the lending power of the World Bank, and in recent years, has increased the level of Japanese economic aid to developing countries and regions. [Ref. 13]

Being a member of the Western alliance, Japan has become increasingly involved in international organizations and forums to deal with the problems of the LDCs. Japan has been affiliated with such organizations as the Colombo Plan, the World Bank, the Development Assistance Committee (DAC) of the Organization of Economic Cooperation and Development (OECD), the International Forum, and the Asian Development Bank (ADB) [Ref. 14: p. 229]. It has assumed more international responsibilities partly as a result of a natural outgrowth of its maturation as a global economic and political power, but also as a result of the realization of Japan's need to maintain smooth and friendly relations with resource-rich countries of the developing world. Japan has been a major contributor to the multi-lateral lending agencies and has also extended considerable economic assistance on a bilateral basis. Lacking a military security option mainly due to restrictions imposed by its "Peace Constitution", Japan has opted for economic assistance as a major foreign policy tool.

The underlying principle to the aid program and the economic course of Japan's general foreign policy is the assumption, indeed, the belief that prosperity can become the medium through which political conflict in the East Asian region could be

neutralized. Japan's policy-makers reasoned that by the judicious use of sufficient economic aid to crucial countries or regions, enough political, social, and economic resiliency could be promoted so that the conditions which would lead to internal disorder or external interference might never develop [Ref. 15: p. 326]. Japan's former Prime Minister Sato once said:

By stabilizing a country economically, a way to co-prosperity and coexistence will be opened. This is the way to abide thoroughly by peace. Japan wishes to move forward along this course. [Ref. 16]

The evolution of Japan's aid program has been tied to the expansion of trade and the growth of the country's general international economic position. One of the first efforts at providing assistance to developing countries was the reparations extended to Asian nations as redress for damages inflicted in the course of the unsuccessful attempt at building a Japanese Empire throughout the region. Although the obligation to make such payments could hardly be termed "aid", they did, however, serve to lay the foundation for the ensuing rapid expansion of economic and diplomatic ties. In effect, these "grants" served as an initial aid program, one with "strings attached", that is, the recipient nation was required to use the money to purchase goods from the donor. [Ref. 17: pp. 102-105]

Japan's aid program has changed considerably since then. Beginning with the early part of this decade, Japan has embarked on a program to improve both the quality and quantity of its aid to the developing world. Between 1978 and 1980, Japan more than doubled its annual Official Development Assistance (ODA) allocations, fulfilling a pledge made by Prime Minister Fukuda in 1977. Moreover, Japan has started to emphasize a "basic human needs" approach in its ODA. Prime Minister Suzuki formally introduced this new policy orientation in a January 1981 speech in

Bangkok, with particular emphasis on rural and agricultural (including major infrastructural projects, such as irrigation, electrification, and rural roads); human resource development (technical assistance); and development of new and renewable energy. [Ref. 15: p. 326]

Prime Minister Nakasone has continued the course of his predecessors by increasing budget allocations to Japan's foreign economic assistance program. In a speech delivered before the 40th United Nations General Assembly, Nakasone stated that it was Japan's global duty to help developing countries build their nations and develop their human resources and to act as a "bridge" between North and South. Therefore, in order to realize this idea, the Japanese government decided to implement a third mid-term program to double its ODA over the next seven years. The ODA target--for 1986-1992--almost double the previous six years' level--is well over \$40 billion (refer to Table 1). [Refs. 18,19: p. 3, p. 2]

Although strings are no longer officially attached, there have been criticisms raised about the relatively low percentage of the grant element in Japan's ODA. Measured in terms of a straight percentage of total ODA commitments, Japanese grants registered a little over 79 percent in 1983, compared to the 85 percent, 71 percent, 97 percent, and 100 percent of the United States, West Germany, Britain, and Australia, respectively (see Table 2). [Ref. 20: pp. 87-88]

However, in spite of some moves towards increasing the level of grants more along the guidelines set by the OECD, senior officials of Japan's Overseas Economic Cooperation Fund (OECF), the government body which administers ODA, have questioned that policy. In their view, "large-scale development projects would not work if there were no sense of need or obligation to make a project commercially viable", and argue that the "aid recipients are being helped more if they are compelled



TABLE 1  
NET OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC\*  
COUNTRIES TO DEVELOPING COUNTRIES (1971-1984)

	1971-73 Average	1982	1983	1984	Annual Growth Rate of ODA <sup>b</sup> 1978/79-83/84	Share of GNP (%)			Share of Total (%)		
						1971-73	1983	1984	1971-73	1983	1984
USA	3,242	8,202	8,055	8,698	3.0%	0.28	0.24	0.24	37.6	29.2	30.4
<b>Japan</b>	<b>711</b>	<b>3,023</b>	<b>3,781</b>	<b>4,319</b>	<b>10.5</b>	<b>0.23</b>	<b>0.32</b>	<b>0.35</b>	<b>6.3</b>	<b>13.7</b>	<b>15.1</b>
France	1,286	4,034	3,815	3,790	6.9	0.63	0.74	0.77	14.9	13.9	13.2
Germany, F.R.	881	3,152	3,176	2,782	3.9	0.32	0.48	0.45	10.2	11.5	9.7
Canada	457	1,197	1,429	1,625	0.8	0.42	0.45	0.50	5.3	5.2	5.7
U.K.	648	1,800	1,610	1,432	-6.0	0.41	0.35	0.33	7.5	5.8	5.0
Netherlands	282	1,472	1,195	1,268	2.6	0.59	0.91	1.02	3.3	4.3	4.4
Italy	159	811	833	1,105	21.5	0.13	0.24	0.32	1.8	3.0	3.9
Australia	266	882	753	773	0.2	0.54	0.49	0.45	3.1	2.7	2.7
Sweden	211	987	754	741	-0.3	0.50	0.84	0.80	2.4	2.7	2.6
<b>DAC, total</b>	<b>8,618</b>	<b>27,730</b>	<b>27,540</b>	<b>28,647</b>	<b>4.0</b>	<b>0.33</b>	<b>0.36</b>	<b>0.36</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*The Development Assistance Committee (DAC) is one of the specialized committees of the OECD. DAC members include Austria, Belgium, Denmark, Finland, New Zealand, Norway, Switzerland, and the Commission of EEC, as well as countries shown above.

SOURCE: *Development Cooperation*, 1984, and *Press Release*, June 27, 1985.

to assure a certain project's economic returns" [Ref. 20: p. 88]. Nonetheless, foreign pressure for Japan to assume a larger burden, and growing Japanese sympathy for the plight of the southern-tier of developing countries would probably lead to a further speed-up of aid. Takashi Hosomi, president of OECF, believes that:

... an increase in grants is inevitable because these can be dispensed without recipient countries having to find domestic funds, needed when a country such as Japan gives project loans. [Ref. 20: p. 86]



TABLE 2  
GRANT ELEMENT IN JAPAN'S ODA (%)

YEAR	JAPAN	AVERAGE*
1980	74.3	89.9
1981	75.3	89.6
1982	74.2	90.4
1983	79.5	91.2

\*17 DAC-member countries

SOURCE: Ministry of Finance, cited in *Far Eastern Economic Review*, "Japan '85," June 13, 1985.

Japan disburses well over \$4 billion annually in ODA and has become the second largest aid donor in the free world, in absolute terms. Moreover, Japanese and American cooperation in coordinating aid policy to ensure smooth and effective flow of aid resources to Third World countries is probably stronger than that between any other Western donors. For example, in close cooperation with the United States, Japan participated in efforts to alleviate the financial hardships of strategically important Turkey (\$70 million in 1979 and \$100 million in 1980, 1981), and was the first Western power to give economic assistance to Pakistan in the aftermath of the Soviet invasion of Afghanistan. [Refs. 2,21: p. 322] Table 3 lists the ten major recipients of Japan's bilateral ODA from the years 1980 through 1983.

For historical, geographical, and political reasons, Japan has tended to favor Asian countries in its allocation of aid. Some 65 to 75 percent of Japan's ODA goes to Asia, while the remainder is divided evenly among African, Latin American, and Middle Eastern countries [Ref. 20: p. 88].

TABLE 3  
TEN MAJOR RECIPIENTS OF JAPAN'S ODA

Rank	1980			1981	
	\$ MIL.	%		\$ MIL.	%
1. Indonesia	350.0	17.9	Indonesia	299.8	13.3
2. Bangladesh	215.1	11.0	Korea (ROK)	295.5	13.1
3. Thailand	189.5	9.7	Thailand	214.5	9.5
4. Burma	152.5	7.8	Philippines	210.1	9.3
5. Egypt	123.0	6.3	Bangladesh	145.0	6.4
6. Pakistan	112.4	5.7	Burma	125.4	5.5
7. Philippines	94.4	4.8	Pakistan	117.7	5.2
8. Korea (ROK)	76.3	3.9	Egypt	70.7	3.1
9. Malaysia	65.6	3.3	Malaysia	64.7	2.9
10. Sri Lanka	44.8	2.3	Turkey	51.4	2.3
Rank	1982			1983	
	\$ MIL.	%		\$ MIL.	%
1. China (PRC)	368.8	15.6	China (PRC)	350.2	22.4
2. Indonesia	294.6	12.4	Thailand	248.1	15.8
3. Bangladesh	215.8	9.1	Indonesia	235.5	15.0
4. Thailand	170.3	7.2	Philippines	147.0	9.4
5. Philippines	136.4	5.8	India	129.5	8.3
6. Burma	103.4	4.4	Burma	113.4	7.2
7. Pakistan	95.3	4.0	Bangladesh	104.2	6.7
8. Malaysia	75.3	3.2	Malaysia	92.3	5.9
9. Sri Lanka	61.6	2.6	Sri Lanka	73.1	4.7
10. Egypt	61.6	2.6	Pakistan	72.8	4.6

SOURCE: Japanese Ministry of Foreign Affairs, cited in William L. Brooks and Robert M. Orr, Jr., "Japan's Foreign Economic Assistance," *Asian Survey* 3 (March 1985): 330.

In addition to its ODA program, Japan has maintained technical cooperation programs, one of which is called the Japanese Expert Service Abroad (JESA) program, whereby the Japan Overseas Development Corporation (JODC) sends Japanese technical and management experts to recipient nations [Ref. 22: p. 8], partly out of Japan's desire to cooperate with recipient countries' in their industrial development, and partly out of Japan's concern to ensure that its own various overseas aid projects succeed.

Perhaps one of the most significant measures in 1985 was the Japanese government's decision to lift the annual admission of Japan Overseas Volunteers (JOCVs) from 650 to 800; in the first year of the program, 1965, that number was only 41. The JOCVs are currently working in 33 developing countries, and unlike some earlier counterparts in the US Peace Corps, are well-educated and skilled in fields ranging from civil engineering to animal husbandry. [Ref. 23: p. 88]

Another method by which Japan seeks to help developing countries on the road to industrialization is through Direct Foreign Investment (DFI). Apart from the obvious benefits to Japan, such as deflation of surging export figures [Ref. 23: p. 83], overseas investment promotes productive activity in the host country, thereby creating more jobs. Also, the flow of capital through direct investment does not add to the debt service requirements with which many developing countries are burdened. Instead, capital flow is usually accompanied by a transfer of technology and managerial resources. Moreover, in regard to raw materials, host countries have requested that these be produced locally, so that they not only reap the benefits of exporting higher value-added goods, but their level of industrialization and export earnings are raised. [Ref. 24: pp. 264-65]

Japan's DFI in the Asian-Pacific region remained slight until the mid-1970s. By the latter part of the 1970s, however, the amount of DFI gradually increased so that Japan has now replaced the US as the main source of direct investment for the region [Ref. 25]. World-wide, Japan became the fourth-largest direct overseas investor in 1982 when it overtook France, and some economists have predicted that it is almost certain to pass West Germany in 1986 if Japan continues its 1985 rate of investment. That would put Japan among the top three, trailing only the United States and Britain. Japan's total DFI (as of March 1985) was over \$71.4 billion, more than twice the total four years earlier. The value of Japanese-owned plant and equipment amounted to \$18 billion in Asia, just slightly behind the \$19.9 billion invested in the US. In other regions around the world, Japan invested \$8.8 billion in Western Europe, \$3.2 billion in Australia, and \$2.9 billion in the Middle East. [Ref. 26]

Japan, in the foreseeable future, will be likely to continue making steady and significant increases in its foreign aid programs and in overseas investment. In view of its rapid economic growth, Professor Ezra Vogel, Director of the Program on US-Japan Relations at Harvard University, believes that these increases in foreign aid may be large enough to make Japan the largest single aid donor by the mid-1990s [Ref. 27: p. 758].

By extending economic aid, Japan will have to coordinate and formulate its aid policies with a broader view of creating a new international system for an increasingly interdependent world. In this regard, Japan finds itself in a position to contribute greatly to peace and stability the world over. Continued Japanese economic and technical assistance to the PRC will not only help it with its modernization efforts, but it could keep China disposed towards maintaining cooperative relations with the West. Also, Japanese political support and economic aid to South Korea and the ASEAN



will help strengthen the position of those countries against the threat of Communism. [Ref. 2: p. 30]

As seen in this discussion, Japan's diplomatic initiatives are confined largely in the economic realm. Despite the global extent of its economic interests, however, Japan's economic contribution to the development of Third World countries is lacking. Although it was mentioned earlier that Japan is the second-largest aid donor in the West, the ratio of ODA to GNP is 0.35 percent (1984) ranks Japan tenth among the 17 member-countries of the DAC. [Ref. 25] Obviously, what is required of Japan in this context is that it needs to increase its level of economic aid, but even this might not be sufficient. As Japan becomes more politically involved in the international scene, it becomes more exposed to the political, economic, and military dangers inherent in such an international role. Japan, with its enormous economic capacity and burgeoning political influence, can no longer remain a bystander and allow other nations to provide for its national security. Pressures from within and without are providing Japan a context for taking new security initiatives in its defense policy as well as in its economic policy.

## B. DEFENSE POLICY

The post-war security policy of Japan was formulated in the period following its defeat in World War II, the essence of which is delineated in Article IX of the Japanese Constitution:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential will never be maintained. The right of belligerency of the state will not be recognized. [Ref. 9]



Because Japan was barred from maintaining “war potential” forces, the question of assuring its internal security naturally arose. In July 1950, General Douglas MacArthur, Supreme Commander for the Allied Powers, organized a 75,000-man paramilitary National Police Reserve (NPR) to settle this question. The NPR replaced U.S. Army Occupation forces which had been moved to Korea to combat North Korean troops. In the following year on September 8, 1951, Japan concluded a peace settlement with the United States. Of particular interest is Chapter Three of the treaty, entitled, “Security.” Though it bound Japan to the peaceful principles of the United Nations and obligated it to refrain from the use of force in its international relations, it did recognize that Japan inherently possessed the right of individual or collective self-defense. [Ref. 28: pp. 520-21]

As if in response to this particular chapter, the year 1952 also saw the reorganization of the NPR into the 110,000-man National Safety Force with an added sea component. Two years later, the Defense Agency Establishment Law and the Self-Defense Forces Law created the present tri-service Self-Defense Forces (SDF). The missions of the SDF are clearly outlined in the Self-Defenses Law, which reads:

The primary mission of the Self-Defense Forces shall be to defend the nation against direct and indirect aggression. . .preserving peace and the independence of the nation, and if necessary, shall take charge of maintaining public order.  
[Ref. 29: p. 16]

During the ensuing years, Japan’s defense policy has been influenced by several significant events. In 1957, Japan adopted the “Basic Policy for National Defense”, which provided the basis for four successive programs to build up Japan’s defenses. In 1960, Japan revised its 1954 Mutual Security Treaty with the United States (this will be discussed in more detail in the following chapter). In 1967, Prime Minister Sato announced the “Three Non-Nuclear Principles” (of not possessing, not producing, and

not permitting their entry of, nuclear weapons into Japan), and they continue to have a major impact on Japanese defense policy. With the completion of the fourth Defense Buildup Program, the Cabinet decided to switch to a National Defense Program Outline (NDPO) in October 1976. Together with the adoption of the NDPO, the National Defense Council and Prime Minister Miki decided that annual defense expenditures would not exceed 1 percent of the GNP of the corresponding fiscal year, establishing the strictly self-imposed "1 percent ceiling on defense spending" rule. [Refs. 30,31: pp. 80-81, p. 124]

The annual defense buildup is no longer carried out by five-year buildup programs but by a five-year "Mid-Term Defense Program Estimate" (called *Chugyo* in the Japanese abbreviation) which is reviewed annually. According to the Japan Defense Agency's (JDA) estimate, only 27 percent of 56 *Chugyo* would be achieved by year's end instead of the 40 percent originally planned (see Table 4).

Consequently, in September 1984, the Japanese government decided to draw up a new five-year plan for the current 59 *Chugyo*, which covers the 1986-1990 period. [Ref. 32]

The major objectives of the 1986-1990 Medium-Term Defense Plan are:

1. Improving and modernizing air defense, anti-submarine warfare (ASW), and coastal defense capabilities
2. Improving electronic warfare capabilities, sustainability, combat readiness and invulnerability
3. Improving and modernizing command, communications, logistics support, education and training [Ref. 33: p. 13]

#### 1. *Japan's Self-Defense Forces*

The SDF, which have been built up progressively through the four defense buildup plans and under the NDPO now possess a defense capability that is a far cry from what it was more than thirty years ago. However, the SDF suffers from a

TABLE 4  
MAJOR PROJECTS OF 56 CHUGYO

Item	Plan to Attain by 56 Chugyo	FY '83	FY '84	Total
<b>GSDF</b>				
Type-74 Tank	373	60	60	120
New 155mm Howitzer	175	20	38	58
Anti-Tank Helicopter (AH-1S)	43	5	5	10
Transport Helicopter (CH-47)	16	—	2	2
Equipment for Improved HAWK	3	1	1	2
<b>MSDF</b>				
DDG	3	1	—	1
DD	8	1	3	4
DE	3	—	—	—
Submarine	6	1	1	2
P-3C	50	7	8	15
New Training Support Aircraft	3	—	1	1
<b>ASDF</b>				
F-15	75	13	17	30
F-1	6	3	3	6
Transport Helicopter (CH-47)	6	—	1	1

SOURCE: *Defense of Japan, 1984* (Tokyo: Japan Defense Agency, 1984), p. 141.

number of deficiencies--its combat capability is greatly reduced by obsolescence and by a shortage of equipment and facilities. The mainstay of the Air Self-Defense Force's (ASDF) high-altitude air defense is the Nike-J, but this missile is at least 20 years old [Ref. 9: p. 99]. For ground defense, most of the 960 tanks in the Ground Self-Defense Force (GSDF) are Type-61, first deployed in 1962. They are being slowly replaced by the latest-model Type-74 tanks, but only about 300 have been acquired. Also, more than half of the 2,830 field guns and rocket launchers are the kind which US forces used during World War II. [Ref. 34: p. 189]

Improvements are being made, however, as seen in the July 1982 decision to deploy 155 F-15s and 75 P-3Cs between 1980 and 1988. Also, the Japanese-made ASM-1 air-to-surface missile is supposed to be cheaper and more accurate than the now-proven capabilities of the Exocet and Harpoon [Ref. 35: pp. 22-23]. Nevertheless, the Japanese arms buildup, both quantitative and qualitative, is constrained by the debate in the Diet concerning the offensive or defensive nature of weapons such as the F-15. Moreover, while there has been growth in quantity of weapons and in the defense budget, there has been relatively little increase in the size of the SDF (see Figure 2.1). The manpower targets of all three branches have never been fulfilled--only 90 percent of the authorized number has actually been recruited [Ref. 9: p. 249]. But the most serious constraint in Japan's defense buildup is the debate over the very constitutionality of the SDF themselves.

To say that the SDF have been at the center of political controversy is an understatement. For more than three decades since its inception in 1950, the SDF has been the target of criticism from the principal opposition party, the Japan Socialist Party (JSP), with charges that these forces are in violation of the constitution. The JSP has further characterized the SDF as a tool of American imperialism and as part of a reactionary plot to restore military rule. At the same time, however, other critics of the government, ranging from journalists to ultra-rightists, have claimed that these forces are a militarily inadequate concession to US pressure for rearmament. [Ref. 36: p. 41]

Despite a number of court rulings (the 1959 *Sunakawa* case and the 1950 Ashida-Kiyose interpretation) and "emergency legislation" [Ref. 37] to skirt the issue of the constitutionality of Japan's armed forces, the SDF are "at least extraconstitutional if not totally unconstitutional" [Ref. 38: p. 78]. The absence of a clearly defined constitutional framework for the SDF will continue to hamper their further



(As of March 31, 1984)					
Services	GSDF	MSDF	ASDF	Joint Staff Council	Total
Division					
Officers					
Authorized Number	22,962	9,335	8,888	118	41,303
Actual Number	22,818	9,222	8,792	118	40,950
Manning Rate (%)	99.4	98.8	98.9	100.0	99.1
Warrant officer					
Authorized Number	3,491	801	764		5,056
Actual Number	3,484	798	762		5,044
Manning Rate (%)	99.8	99.6	99.7		99.8
Enlisted (Upper)					
Authorized Number	79,405	22,562	24,863	11	126,841
Actual Number	78,162	21,960	24,768	11	124,901
Manning Rate (%)	98.4	97.3	99.6	100.0	98.5
Enlisted (Lower)					
Authorized Number	74,142	12,501	12,319		98,962
Actual Number	51,016	11,656	11,410		74,082
Manning Rate (%)	68.8	93.2	92.6		74.9
Total					
Authorized Number	180,000	45,199	46,834	129	272,162
Actual Number	155,480	43,636	45,732	129	244,977
Manning Rate (%)	86.4	96.5	97.6	100.0	90.0

**Note:** The actual number of SDF personnel does not include persons suspended from duty.

Figure 2.1 Authorized and Actual Number of SDF Personnel

development and a “future defense posture will be peculiarly subject to the domestic political climate” [Ref. 2: p. 21].

Another serious drawback is that the SDF lack a strategy and a unified command system for integrated operations between the three branches. The Chiefs of Staffs of the Air, Ground, and Maritime Self-Defense Forces command the operations of their respective branches under the direct command of the Prime Minister or the Defense Minister [Ref. 2: p. 20]. Not only does this result in adequate coordination among the branches of the SDF in such areas as defense planning, budgeting, and logistic support, but civilian control in making defense decisions results in delays and “buck-passing” arising out of the bureaucracy’s tendency toward “pronounced



timidity” and consensus-based decision-making process [Ref. 38: p. 79]. However, Japan is in the process of trying to overcome some of these deficiencies. For the first time since its inception, the SDF will hold a major exercise in the summer of 1986, called INTEGRATED STRATEGIC MANEUVER, involving more than 6,000 troops and over 1,000 ground vehicles, ships, and aircraft. The MSDF and ASDF will escort GSDF units from Kyushu to Hokkaido, and will mark the first time the three services’ major units will operate jointly in an exercise on a nation-wide scale. [Ref. 39: p. 688]

## *2. Defense Expenditures*

The most obvious link between defense and economics is Japan’s ability--and willingness--to buy military equipment and enlarge its defense capabilities. The Self-Defense Forces have been the single customer for Japan’s defense some of which, such as the aircraft and ammunition-arms industries, are highly dependent on defense production. Some 80 percent of the aircraft industry and almost all of the ammunition-arms industry depend on defense contracts for their livelihood. Consequently, the orders which the defense industries receive depend on the scope of the national defense budget.

According to Japan’s Defense Agency (JDA), the size of Japan’s defense budget ranks it 8th in the world, yet the nation has a modest level of defense spending in regard to the United States and the NATO allies--it is less than 1 percent of GNP. In December 1985, the Nakasone cabinet approved a \$267.8 billion budget for fiscal 1986 that included a 6.58 percent gain in defense spending. This increase in the defense budget raises the previous year’s budget of about \$13 billion to almost \$16.5 billion, and is expected to correspond to 0.993 percent of Japan’s GNP for 1986. [Ref. 40]

Although the defense budget is still less than 1 percent of the GNP, fiscal 1986 will mark the beginning of a government-approved 5-year defense buildup plan

(1986-1990) with planned expenditures of over \$91 billion, wherein these defense appropriations will be 1.038 percent of the GNP currently projected for those five years [Ref. 41]. Table 5 graphically illustrates the marked disparity of defense spending between Japan, the USSR, and Europe, while Table 6 compares Japan's per capita defense expenditure and military manpower with the United States and other Asian countries.

TABLE 5  
RATIO OF DEFENSE EXPENDITURE TO GNP (% GNP), SELECTED COUNTRIES

	1970	1975	1980	1981	1982	1983
USSR	11.0	8.4	12.0	15.0	17.0*	17.1*
USA	7.8	5.8	5.7	6.1	6.5	7.4
Britain	4.9	4.9	5.1	5.3	5.3	5.5
France	4.0	3.9	3.9	4.1	4.2	4.2
Germany	3.3	3.7	3.2	4.1	4.1	3.4
Japan	0.8	0.9	0.9	0.9	0.9	0.9

\* No precise figures are available, but some Western estimates range from 10-20 percent.

SOURCE: *The Military Balance, 1985-1986.*

The factors in the call for removing the 1 percent limitation were stated previously as a result of the aggravation of international tensions caused by such developments as the USSR's increased deployment of its forces in East Asia, the Soviet

TABLE 6  
COMPARISON OF DEFENSE EXPENDITURE AND MILITARY  
MANPOWER, 1978-1983

Country	\$ Per Capita (million)			Numbers in Armed Forces ('000)		
	1980	1982	1983	1980	1984	1985
Japan	88	87	98	241	245	243
ROK	87	112	132	601	622	598
China*	--	--	--	4450	4000	3900
DPRK	75	92	103	678	785	838
Taiwan	178	189	174	438	484	440
US	632	846	1023	2050	2136	2152

\*Chinese figures are not comparable to Western estimates, nor are Beijing's pricing practices known in detail.

SOURCE: *The Military Balance, 1985-1986.*

invasion of Afghanistan, and pressure from the US government for building up Japan's SDF. Additionally, the Reagan Administration's call for a beefing up of Japan's defense capability in order to defend its sea lanes has given strength to the argument for breaching the 1 percent ceiling. The principle of keeping defense expenditures to less than 1 percent of the GNP was decided by the Miki Cabinet in 1976--it is not a constitutional limitation. Defense spending had been higher than this recent self-imposed ceiling from 1950 to 1953 when it was a little over 3 percent of GNP, and again in 1954-55 when it went over 2 percent. [Ref. 42: p. 295]

Although the economics of defense matters have put a damper on substantial increases for Japan's military forces, there are signs which point to the inevitability of a more realistic goal. Foreign Minister Abe Shintaro and Tanaka Rokusuke (chairman of the LDP's Policy Affairs Research Council) have been quoted to say that defense spending cannot be kept within 1 percent of the GNP forever. In actually, if NATO's accounting methods, which include pension funds, were used the defense expenditure would represent about 1.5 percent of the GNP. [Ref. 43] Whether annual defense spending will actually exceed the 1 percent ceiling will be determined by the growth of Japan's economy, but at current estimates, a 4 percent annual growth rate would in turn raise projected defense outlays to approximately 1.04 percent of the GNP. If these estimates run true, the Ministry of Defense will be obliged to boost the defense budget by an average of 7-9 percent each year of the five-year term, which translates to an actual increase of 1.9 percent over the level exhibited the past three years. [Ref. 41]

### III. *JAPAN'S RELATIONSHIP WITH THE UNITED STATES*

For more than thirty-five years following World War II, the US-Japan relationship has been the anchor of America's economic and security presence in Asia. Indeed, this relationship has critical importance for the political, economic, and security interests of both the United States and Japan, as well as the preservation of peace, security, and stability for the rest of Asia.

On the whole, the relationship has been a close and remarkably successful one, with each side recognizing the vital interest it has in keeping strong ties with the other. However, it also has been characterized by misperceptions and imbalances. Though there have been frictions which have given rise to frustrations and bitterness on both sides, they have never seriously threatened the relationship. Some have attributed these difficulties as a result of a communications or information gap, while others have described the source of friction has an expectations gap in which "the perceptions of two nations have of their respective roles, as well as the expectations each has of its partner, are at variance with each other" [Ref. 44: p. 694].

Given the importance of the relationship and the occasionally recurring doubts about its future, the need for better communication between Japan and the United States is readily apparent. If both Japan and the US desire to lay the conceptual framework for security policies that will carry through the 1980s and into the next decade, it is paramount that the United States make every attempt to gain further insight into Japanese views on their own security. Japan, for its part, must come to understand more clearly the American purposes, expectations, and limitations.



## A. THE US-JAPAN ALLIANCE

The evolution of Japan-United States relations in the postwar era has been a complicated, but highly interesting story of transition from a conqueror-conquered to patron-client to a more equal, but not quite adequately balanced relationship. A central component of that relationship has been the security treaty concluded immediately after the peace treaty with Japan was signed at the San Francisco peace conference of 1951. Support for the security remains high in both countries and the security relationship has become broader and more cooperative.

Traditionally, the relationship between the United States and Japan has centered around economic matters. The problems with the continuing trade "imbalance" have been well-publicized, and charges of unfair marketing practices and threats of retaliatory protectionism have almost become daily news items. However, it has only been in recent years that the security aspect, and Japan's contribution to the security relationship, have come under close scrutiny. Consequently, pressure has been mounting for Japan to do more. More vocal critics of Japan's defense policy have repeatedly accused Japan of taking a free ride on defense costs by way of the US-Japan Alliance while building up economic power at home through a policy of ever-expanding exports. [Ref. 45: p. 1]

Much of the criticism of Japan's defense policies stems from the economic problems between the two countries, notably the huge trade deficit suffered by the US. It seems that the larger the US trade deficit with Japan grows, the "louder American business and political leaders complain that Japan is fattening its prosperity by leaving its defense to the American taxpayer" [Ref. 46: p.114].

Though it may not seem fair nor logical, two entirely different issues, trade and defense, have been linked to further complicate the security relationship between Japan

and the United States. American critics point out that while the United States has been spending close to 6 percent of its GNP annually for defense and the European allies whose defense budgets amount to an average of 3 to 5 percent, Japan spends just below 1 percent of its GNP for defense. As mentioned in the preceding chapter, this 1-percent ceiling has no legal basis but it has become a widely accepted restriction of successive governments. The Japanese failure to increase defense spending beyond the 1 percent level does not necessarily mean that Japan's defense budget has not been growing at a fairly high annual rate, nor does it mean that the Japanese have not become relatively more conscious of defense during the past decade. As Table 7 indicates, Japan's defense spending record, for example, shows an average increase of between 5 and 7 percent annually.

The first step taken by Japan and the United States in creating an alliance between the two nations was formalized in the signing of the Treaty of Peace on September 8, 1951. This treaty restored to the Japanese full sovereignty over Japan and its territorial waters [Ref. 47: p. 3169]. On the same day that Japan signed the Treaty of Peace, it also entered into a security treaty with the United States [Ref. 48: p. 3329]. This Security Treaty of 1951 essentially maintained that the United States would come to defend Japan if the latter was attacked. In the words of the treaty:

Each party recognizes that an armed attack against either party in the territories under the administration of Japan would be dangerous to its own peace and safety and it declares that it would act to meet the common danger in accordance with its constitutional provisions and processes. [Ref. 48: p. 3330]

Even as early as this stage in the security arrangement, the United States began applying pressure on Japan for a sharing of the defense burden. Then Secretary of State John Foster Dulles pressed the Japanese for a commitment to rearmament so that they would make a contribution to the regional security of East Asia. The

TABLE 7  
TRENDS IN LEVEL AND SHARE OF JAPAN'S DEFENSE  
EXPENDITURES (FY 1955-1985)

	Defense Expenditures* (Yen, in billions)	% Change	% GNP**
1955	134.9	-3.3	1.78
1960	156.9	0.6	1.23
1965	301.4	9.6	1.07
1970	569.5	17.7	0.79
1975	1327.3	21.4	0.84
1980	1901.0	10.2	0.90
1983	2754.2	6.5	0.98
1984	2934.6	6.5	0.99
1985	3137.1	6.9	0.99

\*Initial budget.

\*\*GNP figures are government estimates made for budget comparison purposes.

SOURCE: Japan Institute for Social and Economic Affairs, *Japan 1985, an International Comparison* (Tokyo: Keizai Koho Center, 1985), p. 86.

Japanese naturally rejected this proposal, with General MacArthur supporting their position. Dulles reached a compromise by working into the preamble of the security treaty a future commitment to defense. As a result, the preamble provided for a provisional arrangement with the United States maintaining armed forces in Japan, and in the expectation that Japan would increasingly assume responsibility for its own defense against direct and indirect aggression. [Ref. 45: p. 9]

Although the MST is the cornerstone of Japan's defense policy in Asia, and in spite of the US promise to come to the aid of Japan in case of an attack, many Japanese had regarded the 1952 treaty as an unequal one and felt that many of the provisions in it were adverse to their national interests. Two years after the signing of the Peace and Securities treaties, the United States and Japan concluded a Mutual Defense Assistance Agreement on March 8, 1954. The purpose of this agreement was to establish a legal basis for the furnishing of military equipment and technology to Japan. [Ref. 49: p. 661] The 1951 treaty was subjected to broad and continued criticism in Japan by both the political opposition and the press. The United States, for its part, continued its pressure for a Japanese commitment to share in the defense of East Asia and the western Pacific, to include Guam. On January 19, 1960, the United States and Japan signed the revised Treaty of Mutual Cooperation and Security [Ref. 50: pp. 26-27].

Although the treaty of June 1960 made the security relations more acceptable to Japan by allowing it to have more say over the US defense posture, there were a few legal obligations that Japan had to assume under the new treaty:

- (a) Japan agreed, subject to constitutional limitations, to maintain and develop its capacity to resist armed attack
- (b) Japan agreed to consult with the United States whenever the security of Japan or international peace and security of the East Asia is threatened
- (c) Japan agreed to act to meet the common danger in the event of an armed attack against either party in the territories under the administration of Japan
- (d) Japan agreed to provide facilities and areas for the use of US Armed Forces for the purpose of contributing to the security of Japan and maintaining peace and security in East Asia [Ref. 51: p. 1632]

Two other significant agreements were concluded on the same date that the United States and Japan executed the revised treaty. One consisted of an exchange of



notes concerning implementation of article VI of the security treaty. These notes established the requirement for the United States to agree to consulting with Japanese authorities prior to any major movement of US troops and arms into or out of Japan, or of major changes in equipment, and the use of facilities and areas in Japan as bases for military combat operations to be undertaken from Japan (other than those conducted for the direct defense of Japan). [Ref. 51: pp. 1646-47]

This requirement for prior consultation, in effect, gave Japan a veto over US troop deployments, choice of weapons, and combat operations outside Japan. But even under this new treaty, the unilateral nature of the alliance remained unchanged--Japan still had no obligations beyond self-defense to come to the aid of the United States in case of an attack. [Ref. 52: p. 36]

## B. BURDEN SHARING

No issue in the US-Japan security relationship has been more salient than the issue of sharing the cost of the defense burden. The United States, beset with economic problems at home and with resources strained to a near-breaking point to meet its global commitments, has become more vocal and forceful in urging Japan to increase both its defense spending and military capabilities in order to assume more responsibility for its own defense and for the regional security of Asia.

The durability of the US-Japan alliance can be attributed mainly to two factors--a relatively benign international security environment for Japan and the dominance of the domestic political forces, pacifistic in nature and committed to a limited defense capability within the framework of its close military relationship with the United States [Ref. 53: p. 9]. However, the international situation has changed, and the US no longer enjoys an unequivocal military superiority over the Soviet Union, especially in the Pacific. To meet the threat posed by a growing Soviet Navy in this



area, the United States has embarked on a program to realize a 600-ship Navy [Ref. 54: pp. 30-40]. Because of the Soviet threat and the resultant strain on the US defense budget in meeting this threat, Washington has asked its major ally in the Pacific to shoulder more of its own defense and thus relieve some of the burden of the United States. The idea of burden sharing has been a main security dispute between the two countries but it appears that a solution is on the way. After years of criticism, previous complaints about the inadequacies of Japanese defense spending have been replaced by praise by Washington for Japan's steady buildup and the growing military ties between the two countries [Ref. 55].

The Japanese are making substantial contributions to the overall security picture in the Asia-Pacific. For example, they provide strategically important military bases for US forces--Yokota, Iwakuni, Misawa, and Kadena airbases; Yokosuka and Atsugi naval bases; Camp Zama and Camp Courtney, just a few of the 118 facilities available to the US military. Financially, the Japanese government contributes more than \$1 billion annually to support the costs of these US forces which number around 46,000--about \$21,000 per US serviceman. By comparison, West Germany contributes about \$5,400, only one-fourth of that amount. [Ref. 56]

US requests for mutual exchanges of dual-use technologies are expanding the dimension of Tokyo's cooperation with Washington. Japan is now meeting concerns about the flow of Japanese defense-related or dual-purpose technology to the United States. A diplomatic exchange of notes in November 1983 formalized the Japanese agreement made earlier in January to make a particular exception of the US from its strict arms exports ban. [Ref. 57]

The agreement essentially opened the door for Japanese companies and the JDA to sell or license military technology to the private sector in the U.S. and the Pentagon.

According to the American viewpoint, allowing Japanese military technology to be exported to the U.S. would demonstrate Japan's commitment of the bilateral alliance and would strengthen the overall security relationship. Furthermore, the 1954 Mutual Defense Assistance Agreement had stipulated that each government would make available to the other equipment, materials, services or other aid, as authorized by the government furnishing them. [Ref. 49: p. 661]

### C. THREAT PERCEPTIONS

When the Treaty of Mutual Cooperation and Security went into effect, the United States was the dominant military power in Northeast Asia, with marked superiority over the USSR and the PRC in both strategic and nuclear weapon systems, naval forces, and air power. With the United States fully capable of guaranteeing Japan's security against either spectrum of threats, there was no need to define a precise role for Japanese military forces until now [Ref. 58: p. 325]. However, what was politically convenient for the 1960s is no longer applicable with the realities of the 1980s. Among those realities are the shifts in the US-USSR strategic nuclear balance, and the differences in Japanese and American perceptions of the threat posed by Soviet military forces.

#### 1. *The Japanese Perception of Defense Issues*

A major reason for Japan's reluctance to assume a greater role in its self-defense has been the nature of the Japanese external threat perceptions. Outlining the Japanese perception of the Soviet threat can be a risky business since viewpoints vary widely among the many defense, political, economic, and university sectors in Japan. Although Japanese threat perception is not monolithic by any means, several themes run common among the various elite.

A dominant theme is the nature of the Soviet threat in Asia. The United States and Japan do not disagree over the static facts of the military balance in Asia. The real difference lies in the fact that Japan takes into account only the actual military capabilities while the United States considers the intentions of the enemy as well.

In addition, despite the Soviet buildup, there are many Japanese who sincerely believe that a military conflict will not take place in Japan's neighborhood. The Japanese have difficulty in developing scenarios involving direct military threats to their own security. Their concern tends to focus on indirect threats, such as a spillover effect of local conflicts (for instance, in Korea) on the approaches to, or along, the supply routes leading to the home islands. [Ref. 59: p. 81] This complacent attitude toward security is best summarized in the National Defense Program Outline (NDPO) which was outlined in October 1976 by the National Defense Council and the Cabinet. Current Japanese security policy, as stated in the NDPO, are based on the following assumptions:

- (a) There is little possibility of a full-scale military clash between East & West or of any major conflict leading to such a clash
- (b) There is little possibility of limited military conflict breaking out in Japan's neighborhood
- (c) The US-Japan security arrangements can prevent full-scale aggression against Japan [Ref. 60: p. 180]

Another theme is the fear that the military alliance with the United States is more likely to ensnare Japan into a war than is the Soviet military potential. On the other hand, there is also the belief that because of Japan's critical geostrategic position, Tokyo would still become entangled in the superpower conflict even if it decided to remain neutral:

Although leftists in Japan argue that it may be involved in a war because of the existence of the U.S.-Japan Security Treaty and of the U.S. bases in Japan, in fact it is threatened not because of its military alliance but because of its geostrategic situation. It would be unreasonable not to expect a major power to attempt to seize a geostrategically important area before its opponent utilizes it, particularly if the country at issue were inadequately armed. [Ref. 61: p. 191]

Finally, there is the popular belief that the United States will continue to “behave responsibly toward Japan no matter how irresponsible Tokyo behaves toward Washington” [Ref. 60: p. 277]. The key point in understanding the Japanese stance on defense issues is that as long as US global policies and capabilities retain credibility in Japanese eyes, direct Soviet military threats against Japan will appear unlikely and ineffective [Ref. 59: p. 80].

## *2. The American Perception of Defense Issues*

The main cause for friction from the American perspective vis-a-vis the growing Soviet threat in Asia, is that Japan, with its tremendous economic power, is not doing enough to share the load largely borne by the United States. Many Americans resent Japan’s presumed “free ride” in defense matters, believing that it is too slow in taking a more serious attitude toward the Soviet threat.

Another difference in the “perception gap” has been the perspective from which the US has viewed the defense of Japan. The United States has seen and continues to see defense arrangements in a global context while Japan takes a narrower, more regional view [Ref. 30: p. 84]. From the American side, the growing strength of Soviet Naval Aviation (SNA) and the Pacific Fleet threaten not only Japan but also US forces deployed near there which would be used for defending Japan. In addition to this threat against both Japan and the US, military strategists further contend that there are five basic threats to Japan’s security: nuclear attack; conventional air attack; amphibious attack; attacks on the sea lanes; and attacks on distant areas on which Japan is dependent, e.g. the Persian Gulf [Ref. 62: p. 41].



The United States would like to see its partner in Asia regard the Soviet threat not just as a potential one, but as a direct and realistic one as well. An accomplishment of this goal would soon pave the way towards better relations between the two countries.

#### D. OUTLOOK FOR THE FUTURE

The challenge facing the United States is to work with the complexity of Japanese defense diffidence and economic strength to formulate a coordinated set of foreign and domestic defense policies that are properly aligned with both Japanese and American interests. If the two countries cannot redefine their security relationship to mutual satisfaction and come up with improved methods for consultation between them, there is a good possibility that a "political spillover that could seriously erode a relationship that since World War II has been fundamental to America's presence in Asia. . ." [Ref. 63: p. 708]. Given the importance of the relationship and the uncertainty about its future, the need for better communication between Japan and the United States is essential. Whatever course the future of Japan-US relations may take, it is paramount that each country clearly understands the assumptions and goals which motivate the security policies of the other.

Perhaps the most effective approach to building a productive partnership reflecting Japan's enhanced capabilities, responsibilities, and aspirations should be on of the United States privately pressuring for steady improvements in Japanese military capabilities. These improvements should be commensurate with existing threats to Japan's security, and not ignore the economic and political limitations which challenge the Japanese government either.

If Japan is to continue to depend on its security from the American umbrella and from the US military presence there, it must be more willing to share a larger share of



the related cost. The crucial element in this argument centers more on the pace, and not the quantity of the Japanese contribution. For military (and economic) reasons, the United States has been urging Japan to strengthen its defenses at a more rapid pace. In view of the continuing efforts the Japanese government has been able to place on the qualitative buildup of Japan's defense forces, it does not seem unlikely that the arbitrary barrier on defense spending will be breached. Steady, significant increases in defense spending could substantially enhance the quality of Japanese military forces, and thereby lessen some of the load for US military requirements in and around Japan.

But before Japan can embark on the road for an expanded role in the defense of the region, it must overcome the main obstacle which bars its way; that obstacle is Article Nine of the Japanese Constitution. This article forbids all activities for collective security outside Japan's own territory, and as long as it remains unamended, it is highly unlikely that a multi-national alliance would be formed.

Although it may be a sensitive and unpopular issue, both the United States and Japan should openly and realistically consider the question of revising the present security treaty. Currently, the US is playing the role of Japan's "protector", while for Japan, there is no obligation to "defend even US ships on the high seas surrounding Japan" [Ref. 64: p. 837]. The unilateral nature of the treaty could be the rallying cry of those who claim that Japan is getting a "free ride" from the United States, which could foster the seeds of more acrimonious arguments in the future. There is, however, an alternative to revising the Security Treaty--Japan can continue to contribute to the interests of the Western world by exerting greater efforts in strengthening its own defense postures, beginning with fulfilling those defense goals stated in its NDPO.

Another possibility would be to fashion a security arrangement based on cooperation with the PRC and other nations that might be associated. The obvious drawback to this option is that such an arrangement would be viewed as highly threatening by the USSR and other nations already suspicious of China's intents in the region. [Ref. 65: p. 406]

Japanese acceptance of the importance of revising the security treaty will, in all likelihood, be long in coming, but that does not mean there should not be any efforts made in that direction. One recommendation which I share with the Japan Center for the Study of Security Issues (JCSSI) is for the US government to "tactfully...encourage Japan to accelerate the national movement toward this fundamental change in security relationships" [Ref. 42: pp. 297-98].

The US policy vis-a-vis the Western Alliance is basically a coalition strategy based on a proper division of labor between the US and its allies. The MST goes against this basic philosophy of the United States. With Japan's expanded economic power, both the United States and Japan should concentrate on making greater concerted efforts to at least retain, and hopefully, improve the deterrent ability of the MST.

At a time when many areas in the world are troubled, and with alliances being strained by political as well as economic problems, the US-Japan relationship takes on even more critical importance for the political, economic, and security interests of these two countries. A healthy and productive association between them could in many ways contribute to the security and economic growth of the entire Asian-Pacific region. The challenge of the future is to realize the full potential of the relationship between Japan and the United States. No longer is the US relationship with Japan a bilateral one--it has now taken on global dimensions. As Japan moves toward an expanded and

more active international role, the US must ensure that Japan's economic, technological, and eventual military policies be compatible with its own foreign policy objectives.

Japan has shown its willingness to cooperate with the United States by promoting stability on the Korean Peninsula, increasing food assistance to Africa, restricting the flow of high technology to the Soviet bloc, promoting world economic development, and working to de-escalate conflict in the Middle East. Nevertheless, Japan needs to do more to dispel its image as a "free-rider". If Tokyo truly desires to be regarded as an equal partner in its alliance with the United States, Japan should be prepared to provide as much for the US as Washington is prepared to do for Japan. This would entail not only being more responsible for its own defense but a willingness on Japan's part to share equally in regional defense programs. In his discussion on US-Japan reciprocity at a Pacific forum in Stanford, California, Dr. Edward A. Olsen summed up the issue neatly:

The United States and Japan ought to talk about what needs to be done, not about expenditure of a certain percentage of the GNP. . . . Japan's capabilities should be measured not only in terms of forces in the field but also in terms of its ability to pay for regional defense. If the United States can spend approximately \$45 billion of its defense budget for the Pacific Basin, Japan should quadruple its budget commitments for the same security purposes. [Ref. 3: p. 197]

#### IV. JAPAN-USSR RELATIONS

Post-war relations between Japan and the Soviet Union have evolved around Japan's alliance with the United States and have followed a haphazard course at best. The normalization of diplomatic relations between the two countries in 1956 was in turn followed by a harsh Soviet attack on Japan for its signing the US-Japan Security Treaty of 1960. The Soviet Union went so far as to dangle a political carrot by pledging to restore the Habomai group and Shikotan island to Japan, conditional upon the abrogation of the treaty with the US [Ref. 66]

Although the Soviet Union has become more interested in Japan, certain political issues remain unsolved, thereby causing strains in Japanese-Soviet relations. Moreover, Japan is uneasy over the rapid military developments which have taken place in Northeast Asia. At the same time, however, the Soviet Union is quite conscious of the fact that it is surrounded by Japan, the United States, the People's Republic of China, and various NATO countries. Consequently, it claims that it cannot feel secure unless it maintains and strengthens its military capability, to include keeping "its international boundaries as geographically extended as possible." [Ref. 67: p. 25] While it has served Moscow's interests in the past to portray Japan as the forward base of "imperialism" in Asia and as part of a tacit anti-Soviet triangle to justify its own claims to play a military and political role in Asia, the failure of this policy has become more readily apparent in recent years. There has been a growing sense of security cooperation among Asian states which many analysts attribute to fears of the increased Soviet military presence in the Asian-Pacific region [Ref. 68: p. 27]. With Soviet Foreign Minister Shevardnadze's visit to Japan in January 1986, Moscow has sent out signals that its policy of "distance" toward East Asia is over.



Why the sudden interest in renewing political ties with Asia? Perhaps Moscow senses an opportunity for driving a wedge between the US and its Asian allies, capitalizing on the frictions related to trade. The Soviets are concerned about the increasing linkages between Japan and the US in such matters as computers and defense-related technology--areas that have adverse military implications for the Soviet Union, and they will do what is necessary to discourage the development of those linkages. Whether Moscow's new approach to Japan is primarily aimed at dividing Japan from the United States remains to be seen. What is clearly evident, though, is the fact that Premier Gorbachov's attempts to give a new impetus to Soviet diplomacy in Asia conveyed his intention to "treat Japan more as a sovereign power and no longer as an American client" [Ref. 68: p. 27].

#### A. JAPANESE-SOVIET ECONOMIC RELATIONS

Despite the differences in their socio-economic systems, the geographical proximity of Japan and the Soviet Union encourages the development of economic and trade relations between them. More importantly, though, is that the structure of trade activities and the nature of trade commodities between the two countries seem to be mutually supplementary and beneficial. [Ref. 69: p. 5] As a result, the complementarity of the two economic structures theoretically make Japan and the USSR ideal trading partners. The Soviet Union needs Japan's capital, technology, and consumer goods, while Japan needs the other's natural resources such as oil, gas, coal, iron ores, and timber. Consequently, the Soviets consistently stress this factor of economic complementarity when discussing the potential for increased trade with Japan (see Table 8).

The character of economic relations between Japan and the Soviet Union is best illustrated by the history of Siberian development projects. The Japanese experience in



TABLE 8  
MAIN TRADE ITEMS (JAPAN-USSR)

	(\$ million) Japan's Exports	% of Total
Steel	953	37.9
Machinery	770	30.6
Chemicals	232	9.2
Textiles	195	7.8
	Japan's Imports	% of Total
Timber	358	25.5
Non-ferrous metals	283	20.3
Oil products	141	10.1
Coal	119	8.5

SOURCE: Ministry of Finance, as cited in *Far Eastern Economic Review*, December 26, 1985, p. 51.

Siberian development is more than two decades old and has involved over \$3 billion in loans and credit. When these Siberian projects were launched in the mid-1960s, the outlook shared by both Japan and the USSR was promising. But by the 1970s, Japanese enthusiasm for such activities decreased substantially for reasons which will be discussed later. The Soviet invasion of Afghanistan and the subsequent renewal of East-West tensions added to a stalemate in development projects.

Cooperation in the economic field began in 1965 with the formation of a semi-official Japanese-Soviet Economic Committee which gave birth to various cooperative ventures:

- (1) Development of forest resources (1968)
- (2) Port and transport facilities construction at Vrangal and Vostochnyi (1970 and 1977)
- (3) Wood chips and pulp development (1971)
- (4) Paper and pulp production (1973)
- (5) Yakutia coking coal and iron ore development (1968)
- (6) Energy-related projects: Yakutia natural gas (1974), Sakhalin oil and natural gas (1975), Tyumen oil development (1972) [Refs. 70,69: pp. 5-15, pp. 10-12]

Of the various projects listed above, only four--two timber projects, the Vrangal port construction, and the wood chips project--have been completed. One of the reasons for non-completion of the remaining projects was due to constant changes of conditions made by the Soviets. Another was the poor profitability of some of the projects, while a related reason was over-competition by Japanese companies. Finally, the difficulties encountered in Siberian development led Japanese businesses to seek a potentially more massive market in China, a market with fewer frictions than in the Soviet one. [Ref. 71: pp. 203-207]

In addition to the above reasons, which are mainly economic in nature, another factor that contributed to a standstill in Japanese-Soviet economic relations was politically motivated. In November 1979 the Afghanistan invasion, and two years later, the Poland Crisis (December 1981) occurred. Following the lead of the United States, Japan, along with several other Western nations, adopted economic sanctions against the Soviet Union by strengthening the conditions on the Japan Export-Import Bank's loans for the Soviet Union and by imposing a ban on official-level trade contacts between the two countries [Ref. 69: pp. 35-36]. As a result of those economic sanctions, and Japanese-Soviet bilateral trade declined from about \$5.3 billion in 1981,

rising to a high of \$5.6 billion in the following year, and dropping to a low of \$2 billion in 1985 [Ref. 72: p. 30].

Nevertheless, the chill in trade relations between Japan and the USSR, was noticeably warmed up by Soviet Foreign Minister Eduard Shevardnadze's visit to Japan in January 1986. The new mood in that relationship, though played up by both Soviet and Japanese news media throughout the days preceding Shevardnadze's visit, actually dates back to the close of 1984 when the Japanese Foreign Ministry withdrew its ban on official-level trade contacts as part of a campaign to normalize the long-stalled political relationship between the two countries. This action resulted in a meeting of the Japanese-Soviet Business Cooperation Committee in December 1984, the first in five years [Ref. 73: p. 8].

This meeting brought immediate results in the form of some \$140 million worth of orders for Japanese construction machinery and machine tool manufacturers, an unfreezing of Japan's Exim Bank loans to the USSR, and Soviet orders for Japanese electronic goods. More importantly, though, was the renewed interest in fulfilling several of the stalled Siberian development projects. In March 1985, Japan agreed to sign a one-year contract for the import of coking coal from Yakutia. In December 1985, a major break-through occurred when the two sides signed a long-term contract for the production and shipment of wood pulp and chips. In addition, discussions have once again taken place over the possible start of development work on the continental shelf of Sakhalin Island. [Refs. 74,75: pp. 1 & 15, p. C1]

The realization of cooperative projects for Siberian development could constitute an important element in Japanese-Soviet economic relations and could also become one of the most decisive factors in the possible future expansion of trade between the two countries. Massive developmental projects in Siberia could result in demands for

equipment, industrial materials, and consumer products, presenting Japan with great export opportunities. However, the resumption of some stalled joint-development projects in Siberia in the near future does not constitute a guarantee that Japanese-Soviet economic relations will be back to the level it was in the early 1970s when both countries enjoyed a seemingly complementary economic relationship. Japanese trade officials still anticipate difficulties over the coming years in keeping the bilateral trade balance within reasonable limits. [Ref. 72: p. 32]

While the quantity of Japanese exports to the Soviet Union rose dramatically after the December 1984 meeting, the USSR has yet to reciprocate by upping its level of exports to Japan. With the exception of energy products which comprise 75 percent of the Soviet Union's exports to Western countries, there are simply not enough Soviet products to balance the accounts against Japan's potentially overwhelming exports of steel, chemicals, and machinery. Consequently, this results in increasing the large trade surplus already in Japan's favor. Moreover, Japanese trade officials remain highly critical about Soviet slowness and inefficiency, both at the negotiating table and in the implementation of the projects which the two countries have decided to undertake. [Ref. 72: p. 30]

In spite of the renewed emphasis and vigor Moscow is showing in its Asian foreign policy, it appears to have made minimal progress to date in upgrading the value of Soviet exports through additional processing. Moreover, the Soviet Union has not shown much interest in establishing manufacturing industries specifically aimed at exports on the country which many of Asia's newly industrialized countries (NICs) model themselves. [Ref. 72: p.30] For both Japan and the Soviet Union, the object of these renewed efforts in developing Siberia is no doubt economic. At the same time, however, the resumption of stalled-joint development projects in Siberia raises



far-reaching strategic and political concerns, such as the strengthening of Siberian transportation systems, the transfer of Western technology, the production of raw materials such as oil, and the boost it will give to the Soviet Union's increased foreign exchange earnings. Siberia offers the Soviet Union a strategic depth for the dispersed location of its population, key military industries, and the majority of its intercontinental ballistic missile silos. The Kamchatka Peninsula, the Sea of Okhotsk, and the adjacent Kurile Islands have been developed into major Soviet air, naval, submarine, and radar bases with a substantial impact on the East-West military balance in East Asia and the Pacific [Ref. 76: p. 4]. Since Japan has had a recent history of not regarding the Soviet Union as an immediate threat to its national security, it should proceed cautiously in its economic endeavors with that country. Japan should at least develop those projects that will not provide the Soviets with an infrastructural base which could be used for future military build-ups in Pacific Siberia.

The potential for future economic growth is great, especially if the two countries can overcome their differences regarding Japanese participation in joint development projects in Siberia and the Soviet Far East. The USSR could become an even more important source of raw materials and energy needed by Japan--strong incentives for broadened Japanese economic activities to accelerate the development of these Soviet eastern territories. Furthermore, non-economic ties have also been on the rise, as evidenced by the increase in visits by government leaders both countries and trips by Japanese businessmen. Nevertheless, in spite of these promising signs, Japanese-Soviet relations continue to be beset by unsolved bilateral problems and by mutual mistrust of the other's intentions and future respective roles in East Asia.



## B. THE POLITICAL ARENA

Japan's post-war economic policy, particularly vis-a-vis Eastern-bloc countries, has generally been characterized by *seikei bunri*, or the separation of economic issues from politics. In the case of Japan's relations with the USSR, however, Japanese political leaders have closely linked economics with political relations. On the other hand, business leaders from Japan's private sector have advocated the policy of *seikei bunri*. For example, at the time of the Afghanistan invasion, Nagano Shigeo, chairman of the Japan-Soviet Business Cooperation Committee, criticized the government for confusing political and economic issues. He also suggested that the territorial issue be shelved for five to ten years and, while in the interim, continue with Siberian development projects [Ref. 71: pp. 210]. The Japanese government has been cautious, however, maintaining the position that stable political relations, in particular, the settlement of the territorial issue, are the preconditions for increased economic relations.

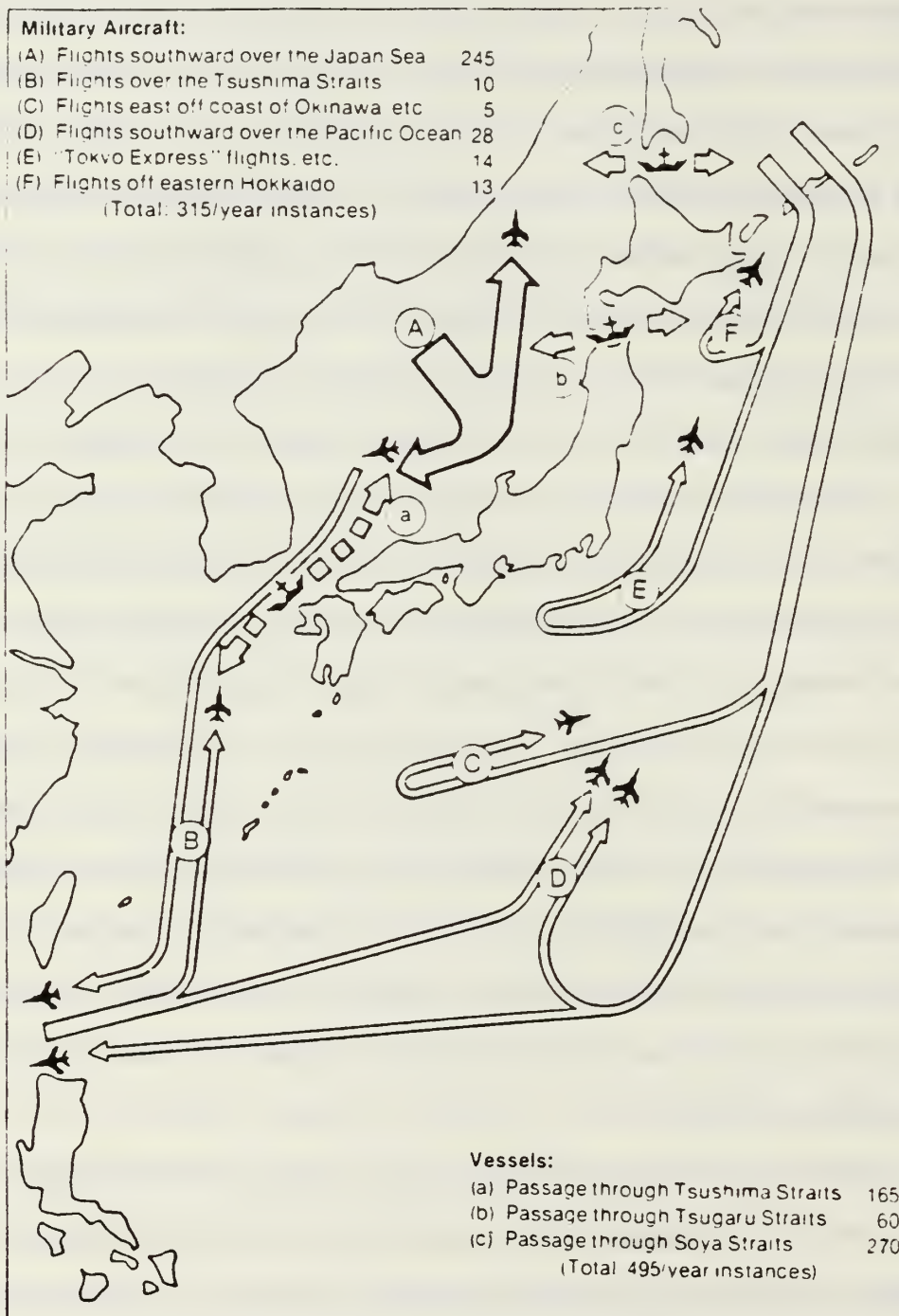
*Seikei bunri* once again manifested itself in Soviet Foreign Minister Shevardnadze's visit to Tokyo in January 1986. It was the first high-level visit in nearly a decade and it represented a thaw in Japan-USSR relations. However, while some progress was made on the economic front in the form of agreements to upgrade trade and economic discussions, very little was made in the political arena. The question of the Northern Territories continued to be a major stumbling block in bettering Japanese-Soviet political relations. The two sides remained deeply divided over Soviet occupation of the four northern islands off Hokkaido.

Three factors in Japanese domestic politics are particularly important for Japan-USSR relations: (1) the traditionally negative attitude of the Japanese toward the Soviet Union, (2) the absence of a peace treaty between the two countries, and (3)

the still unsolved territorial dispute regarding ownership of the Kurile Islands. Throughout much of Japan's modern history the USSR has been regarded as a menacing neighbor, a challenge to the nation's security, if not an enemy in war. In fact, the Soviet Union and Japan are still technically at war. Although the two countries normalized diplomatic relations in 1956, Japan has refused to sign a peace treaty formally ending hostilities until the Soviet Union returns the four small islands off the coast of Hokkaido. The USSR is the only country in the world not to have concluded a peace treaty with Japan after World War II. [Ref. 77]

Soviet actions since 1945 have done little to improve these images of a hostile neighbor. In the last days of the war, Moscow unilaterally broke a nonaggression treaty to participate in the last days of the Pacific War, incarcerated nearly 2 million Japanese soldiers and civilians, and sent hundreds of thousands to Siberian labor camps. Japanese fishing in the northern seas near the Soviet coast has been restricted and harassed, and all territorial claims have been rejected. Understandably, the Soviet Union has consistently ranked as the most disliked country in opinion polls throughout the postwar period [Ref. 17: p. 180]. Recent public opinion polls indicate the Japanese still have a distrust of the USSR, fed in recent years by incidents such as the downing of a Korean airliner by Soviet fighters, the detection of Soviet nuclear submarines in Japanese waters, military intrusions into Japan's airspace and numerous espionage cases (see Figure 4.1) [Ref. 77].

A central issue which continues to stymie a warming trend in Japanese-Soviet relations is the territorial dispute over the southern Kurile Islands (see Figure 4.2). The Soviet Union has consistently maintained that there is no territorial problem between Japan and the USSR, and that the outcome of World War II cannot be altered. While the USSR acquired sovereignty over all of the Kuriles as a result of its



**Note:** Number of ships and instances indicates average figures over the past five years.

Figure 4.1 Soviet Military Activities Around Japan

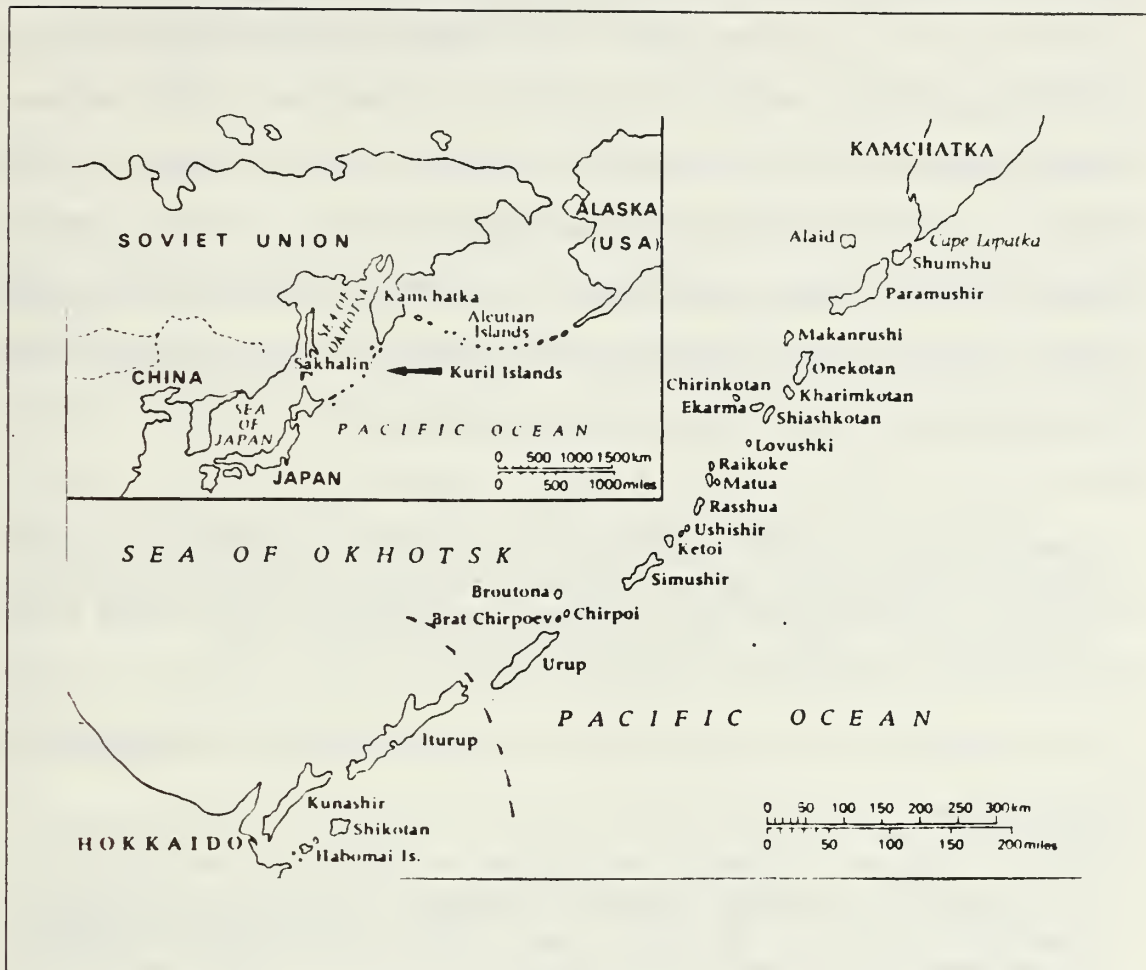


Figure 4.2 The Northern Territories

military victory in World War II, this sovereignty has not been recognized nor legalized by an international accord [Ref. 78: p. 28].

In the Japanese view, the two islands of Kunashiri and Etorofu, illegally seized and occupied by the Soviets after World War II, have always been under Japanese control. Moreover, these islands should by no means be included in the area which Japan has taken by 'violence and greed' as delineated in the Cairo Declaration of November 27, 1943 [Ref. 66: p. 13]. Although the provisions of the Yalta Agreement



provided that Japan should turn over the Kurile Islands to the Soviet Union, and the provisions of the San Francisco Peace Treaty stipulated that Japan should renounce all right, title, and claim to the Kuriles, none of the provisions gave a clear definition of what the Kuriles were. This is further complicated by the fact that in two former treaties with Russia, the islands had been defined as excluding both Kunashiri and Etorofu. The two treaties are the Treaty of Commerce, Navigation, and Delimitation (1855), also known as the Shimoda Pact, and the Treaty For the Exchange of Sakhalin For the Kuriles (1875). In the words of the Shimoda Pact:

...henceforth the boundary line between Japan and Russia shall be a line drawn between "Etorofu" and "Urup" islands. The entire island of Etorofu belongs to Japan, while the entire island of Urup and the Kurile islands to the north of Urup belong to Russia. In regard to Sakhalin island there shall be no boundary line and past practices shall be observed. [Ref. 79: p. 20]

In the second treaty, Japan relinquished all rights to Sakhalin in exchange for the Kurile Islands:

In exchange for the cession to Russia of the rights on the island of Sakhalin, as mentioned in Article I, His Majesty the emperor of all Russia on behalf of Himself and his Heirs, cedes to His Majesty the Emperor of Japan, the group of islands known as the Kuriles, which He now possesses, together with all the rights of sovereignty derived from this possession, so that henceforth the said group of the Kurile shall belong to the Empire of Japan. [Ref. 80: p. 19]

The Soviet Union's response to Japan's claims to these territories is that it does not recognize any territorial dispute with Japan. Moscow bases its policy of nonrecognition on that fact that whatever territorial dispute there might be is a fait accompli in the context of the terms of:

- a) The Yalta Agreement of February 11, 1945
- b) The Cairo Declaration of November 27, 1943
- c) The Potsdam Proclamation of July 26, 1945, accepted by Japan on August 14, 1945
- d) The San Francisco Peace Treaty of September 8, 1951



- e) The Memorandum of the Supreme Commander of the Allied Powers (SCAPIN No. 677) of January 29, 1946 [Ref. 81: p. 501]

One reason for this failure in settling the dispute stems from the Soviets' adamancy on their position that these islands are not subject to negotiation. In Moscow's view, any territorial concessions to Japan would reinforce other nations' claims to disputed territories lost to the Soviet Union--"once the principle of frontier immutability has been compromised, hitherto dormant irredentist forces would be revived in Europe and China" [Ref. 82: p. 132]. From Japan's point of view, though, economic cooperation may become an effective card for making the Soviet Union reconsider its position on the issue. Japanese officials believe that the new emphasis Soviet leader Mikhail Gorbachev has placed on domestic reform and economic moderation may give Tokyo a potential economic leverage which could be turned advantage on the territorial issue:

Japan has grown so powerful economically--and to a certain extent politically as well, that the new pragmatic Soviet leaders evidently have made a serious reassessment of what their country can get from this nation to reinvigorate their lagging economy. [Ref. 68: p. 26]

Although some diplomats were skeptical about Shevardnadze's visit and considered Japan as compromising its position by downgrading the territorial issue so that the return of the islands was not a precondition for improvement in overall relations, others viewed it as a slight breakthrough over the previous stone-wall stance adopted by Gromyko. As one diplomatic source commented:

The Japanese sense ferment in the Gorbachev regime and are confident that once they get their foot in the door they will be able to slowly nudge the Soviets towards more concessions. [Ref. 68: p. 26]

While Japan agreed to resume a technological and scientific cooperation agreement, it refused to negotiate the long-term economic cooperation agreement urged by Moscow, and Japanese Foreign Ministry officials hinted that they will link this accord to progress in negotiating the territorial dispute.

Complicating the issue of the Northern Territories is the fact that in recent years, the Soviet Union has greatly expanded its Pacific Fleet with both ships and nuclear-bearing submarines, has expanded and updated their Air Force in the Soviet Far East. It has fortified its position there by constructing airfields and military facilities and by deploying ground troops on the disputed islands.

Since the mid 1960s, the Soviets have consistently deployed anywhere from 25 to 35 percent of their nuclear and conventional forces to the Far Eastern regions of the Soviet Union. However, until the 1970s, the United States enjoyed an unrivalled superiority over the Soviet Union in its nuclear umbrella. Today the situation has changed. The downing of the South Korean 747 airliner over the Sea of Japan in September 1983 was a dramatic manifestation of the extent of the Soviet Union's power base in Northeast Asia and the rest of the Pacific region.

This episode and its subsequent handling by the Soviet authorities have underscored the USSR's wanton disregard for innocent lives and Moscow's sensitivity regarding its military stakes in the region. Those stakes embrace the security of the Soviet Union's outposts (to include the disputed Kurile Islands), wartime control of the Seas of Japan and Okhotsk as part of the SSBN strategy of strategic missile-submarine deployments, and the security of sea lines of communication (SLOC) which links the ever-expanding Soviet naval presence around the Asian rimlands [Ref. 78: p. 27]. In light of the Soviet buildups in East Asia, there are now some questions regarding the nature of the military balance there.

According to Japan's Defense Agency, the Soviets have deployed 40 divisions (approximately 370,000 troops) in East Asia. Additionally, as shown in Figure 4.3, the presence of almost 25 percent of its air force's entire operational aircraft, consisting of 420 bombers, 1500 tactical fighters (to include some of their most advanced fighters, such as the Su-24 Fencer and the MiG-27 Flogger) and 150 patrol planes (including between 70 and 90 supersonic Tu-22 Backfire bombers) assigned to this region have been cause for concern. Moreover, the Soviet Union has deployed about 25 percent of its entire navy, including carriers, destroyers, and some 140 submarines [Ref. 83: pp. 30-31].

The Soviet Union's Pacific Fleet is said to be the largest of the USSR's four fleets. According to US sources, the Pacific Fleet now consists of some 837 ships, compared to the 212 ships of the US Pacific Fleet. Some of the Soviet Union's most modern naval units have joined the Soviet Fleet in recent years, including 2 Kiev-class aircraft carriers, 3 Kara-class guided missile anti-submarine warfare carriers, an Ivan Rogov amphibious ship, and a nuclear-powered Kirov-class battle cruiser, the world's most powerful and modern warship. [Ref. 84: p. 15, pp. 91-110] The growth of Soviet naval power in the Asian-Pacific region has accelerated ever since the emergence of outward signs of strong Sino-Vietnamese disagreement, particularly in the period since the Vietnam-PRC conflict of 1979. It is unlikely that the Soviet Union will be easily persuaded to withdraw its naval units from the region, while it is highly likely that they will continue to remain there into, at the very least, the medium-term future.

Another area of deep concern for the Japanese is the issue of the Soviet deployment of both strategic and non-strategic missiles and in ground forces generally. The Soviet Union began deploying intermediate range SS20s in 1977 and has some 170 of the weapons targeted on East Asia. [Ref. 85: p. 175] A similar trend is noticed by

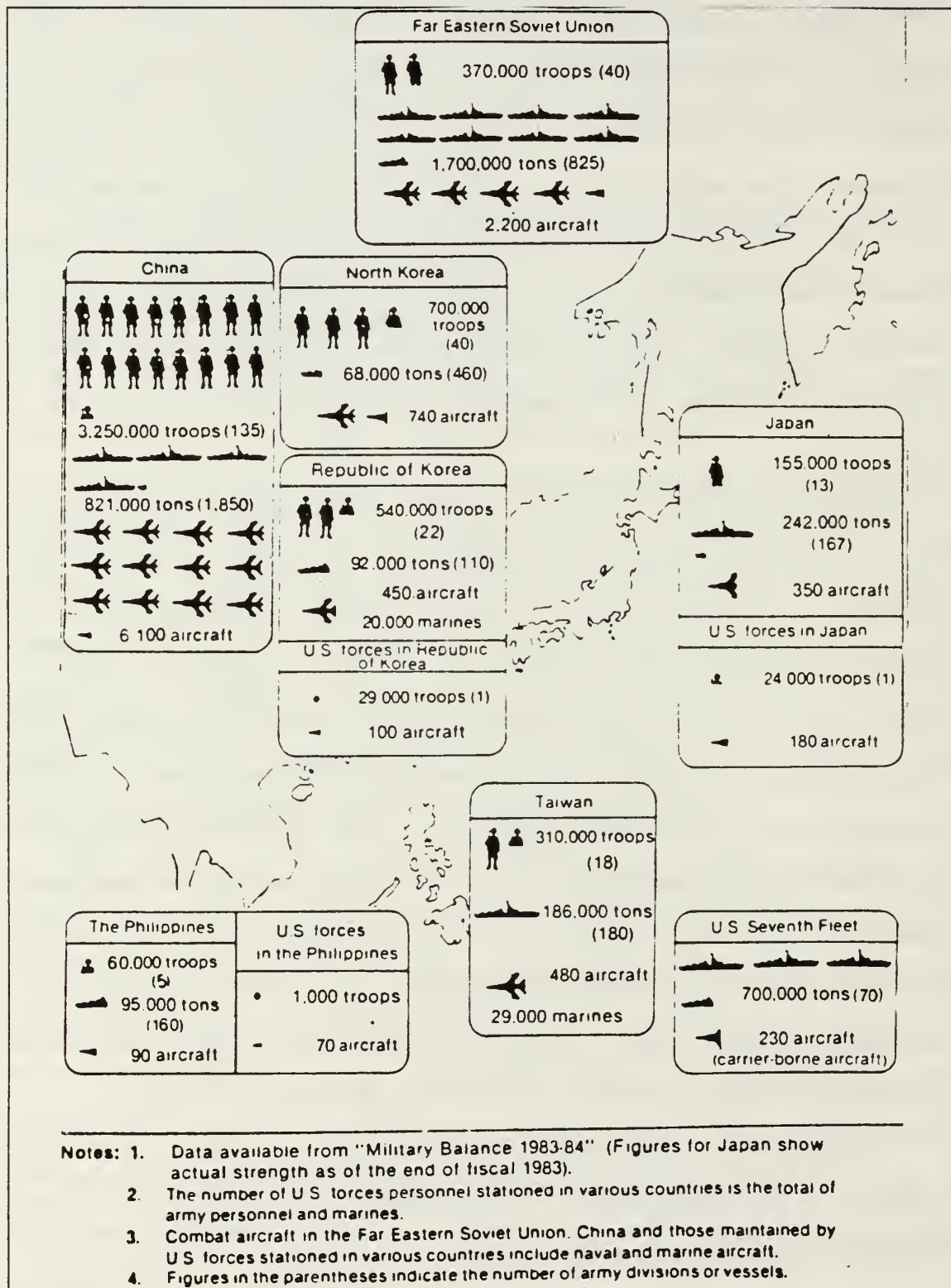


Figure 4.3 Deployment of Armed Forces in and Around Japan



the Japanese in the Soviet deployment of ICBMs and strategic bombers which are deployed along the Trans-Siberian Railway and in the Sea of Okhotsk. According to the International Institute for Strategic Studies (IISS), the USSR has deployed some 380 ICBMs, including modern high performance missiles like the SS18s and SS-N-18s [Ref. 86: p. 85].

What are the implications of this buildup in East Asia and in the Pacific for Japan? Will the increased Soviet strength pose a danger of a direct military attack against Japan? Some critics of Japan's current increases in defense spending argue that the Soviet intention is not offensive but defensive. They say that the Soviet Union has no particular cause to threaten Japan, because unlike in Central Europe or on the Sino-Soviet border, there is no historical basis for a Soviet-Japanese conflict. They also charge that the military balance in the Asia-Pacific remains strongly in favor of the United States, a view shared by many American defense analysts [Ref. 87].

Proponents of increased Japanese defense buildup agree that there is no serious threat of an *isolated* Soviet attack on Japan, but they argue that Japan is a target by virtue of its geographic position relative to the Soviet Far East. Colonel Nishimura Shigeki of the Japanese Ground Self-Defense Force (GSDF) Defense Planning Staff, pointed out that Japan sits astride the three narrow straits (the Tsugaru, Soya, and Tsushima Straits) that provide an exit for the Vladivostok-based Soviet Pacific Fleet out of the Sea of Japan, and that under circumstances of global confrontation, Japan would be a priority target (see Figure 4.3). [Ref. 87] Also, many Japanese defense planners believe it inconceivable that relations would deteriorate to the stage whereby the Soviet Union would risk a direct armed attack on Japan, especially with the Japan-US alliance in force. However, the Soviet military presence in East Asia is definitely not a benign one. In addition to backing Vietnamese occupation of



Kampuchea, Soviet military deployments raise widespread concern as well as defense expenditures and pose a serious threat to Japan's sea lanes, thereby altering the regional power balance, whether real or perceived. [Ref. 88: p. 34] Yet, according to Kurihara Osamu, former Secretary-General of the Defense Council (Japan's highest policy-making organ for military strategy, admitted that Japan's air defenses would be wiped out in 10 minutes, its naval forces would face the same fate in two or three days, while the ground forces would be destroyed in four days under an attack by a major enemy. [Ref. 89: p. 34]

Clearly, then, Japan's most pressing defense issues are improving the deficiencies in air and sealane defense, and particularly the ability to deny Soviet passage through the Tsushima, Tsugaru, and Soya Straits. Only by expanding and upgrading its defense forces would Tokyo be able to effectively nullify Soviet capability of intimidating Japan in the Asian-Pacific region. The next few years will show what sort of defense will be chosen and how far the limits of Japan's territorial boundaries will range. American interests and Japanese willingness for a larger regional role will be the determinants of those choices for the near future.

## V. JAPAN AND NORTHEAST ASIA

Northeast Asia holds a position of unique importance for the world as this is the region where a series of triangular relationships exist among the major powers--the United States, the Soviet Union, the People's Republic of China, and Japan--each of which has extensive interests and commitments. The reemergence of Japan's political role in this region further complicates the delicate balance which exists among these regional powers.

Japan has had a special interest in Northeast Asia since historic times. In an effort to expand and protect its sphere of influence, Japan fought both China and Russia in major wars at the turn of the century. By emerging as the victor of those wars, Japan had bid for and held diplomatic leadership in Asia, but the intervention of Russia, Germany, and France demonstrated that the European powers would not allow Tokyo to gain a strategic foothold on the Asian continent. The Treaty of Portsmouth at the end of the Russo-Japanese War did not fully satisfy Japan's desires for concessions, either. In short, Japan was denied its role as the leader of Asia [Ref. 90: p. 252].

In the following decades, Japan struggled to gain world recognition as a major power. The practical need for securing Asian markets and resources for its burgeoning capitalist economy was a reinforced Tokyo's psychological impetus to appease Japan's sense of wounded pride received from the rebuff given by the European powers. Instead of being averse to the idea of colonialism, Japan accepted Western imperialism and expanded across Asia. To the Japanese, the War in the Pacific (or, as it was officially named, *Taiheiyo Senso*), was not so much an act of Japanese militarism as it

was an act of defensive nationalism for the purpose of realizing the *Dai Toa Kyo-eiken*, or the Great East Asia Co-Prosperity Sphere [Ref. 90: p. 252], following the examples set by the Western powers.

Since entering the post-war period, Japan has faced a number of hurdles in its foreign relations, some originating internally, others externally. The focus of this chapter then, will be on the external factors affecting Japan's global and regional strategies in its foreign relations, particularly in the economic, political-diplomatic, and military dimensions.

Because Japan has the largest and most advanced economy in the Asian Pacific region, maintaining good bilateral relations with its neighbors is crucial to Japan's Asian security policy. With the nuclear umbrella provided by the United States, Japan has been able to concentrate its energy and resources on developing its economy to become the second greatest economic power in the world. However, there are very difficult political decisions facing Japan on the issue of becoming more actively involved in global and especially regional affairs, of which an enhanced security role for Japan is a key consideration. In the first place, overcoming the pacifist domestic feeling which is against an increased military role for Japan is a serious obstacle. Another more important challenge is persuading China, Taiwan, the two Koreas, the ASEAN states, Australia, and New Zealand--all of which are apprehensive about an increased Japanese military presence in the region--that Tokyo's assumption of a larger defense role will not pose a threat to their own national security.

Although Japan has shied away from playing a greater military role in East Asia, its enormous economic power, its attempts at pursuing friendly relations with both the PRC and the USSR, and its attempts at settling the Kampuchean issue, are invariably placing Japan at the forefront of "omni-directional diplomacy", with Japan finding itself playing the role of mediator.

## A. RELATIONS WITH CHINA

Ever since diplomatic normalization in September 1972, Japan and the People's Republic of China (PRC) have achieved a surprising degree of mutual cooperation in diplomatic as well as economic fields. In addition, the signing of the Sino-Japanese Peace and Friendship Treaty six years later ushered in a new era in the relations between the two countries. Since then, Japanese firms have concluded numerous contracts with China as it began an ambitious modernization program for its agriculture, industry, defense, science, and technology. Japan is enthusiastically aiding China in virtually every aspect of its modernization except defense, particularly in the selling or exporting of military hardware. Japan will refrain from selling weapons to China under the guidelines set by its self-imposed arms export ban, i.e. Japan will not sell military hardware to communist countries. Also, military equipment in the hands of a still unpredictable China would pose security risks, and one which could produce a potential "boomerang effect" for the weapons suppliers.

The conclusion of two major agreements between Japan and China (the Sino-Japanese Long-Term Trade Agreement and the Sino-Japanese Treaty of Peace and Friendship) and the Chinese decision to implement the "Four Modernizations" program in 1978 has contributed to the significant improvement in Sino-Japanese economic relations. In its push for its economic modernization programs, China has relied heavily on Japan for both capital and technology. Indeed, the most obvious indication of this success can be seen in the rapid expansion of bilateral trade between Japan and China, from \$1.1 billion in 1972 to more than \$13 billion in 1984 (see Table 9), and in Japan's predominant position as China's largest trading partner, capturing about 26 percent of China's total external trade in 1984 [Ref. 25: pp. 39-40]. Moreover, in 1983, China moved from sixth to fifth place among Japan's leading trading partners, taking about a 4 percent share of Japan's total trade [Ref. 91: p. 20].



The expansion of bilateral trade and China's increasing capability to supply Japan with badly-needed raw materials and energy supplies can best be understood in the context of countering Soviet proposals for joint economic ventures in Siberia (considered to be detrimental to the PRC's strategic interests along the Sino-Soviet border), and for Chinese leaders' desire to gain support in Japan [Ref. 92: p. 98].

TABLE 9  
JAPAN'S TRADE WITH CHINA (\$ MILLIONS)

YEAR	EXPORTS	IMPORTS	TOTAL
1972	609	491	1100
1978	3049	2130	5079
1982	3510	5352	8862
1983	4914	5087	10001
1984	7217	5958	13175
1985*	6150	3200	5350

\*January-June, 1985

SOURCES: Japan Institute for Social and Economic Affairs (ed.), *Japan 1985, an International Comparison* (Tokyo: Keizai Koho Center, 1985), p. 40; *Far Eastern Economic Review*, August 1, 1985, p. 47.

Japan was the first non-Communist country to publicly give economic aid to China. Indeed, Japan's economic assistance continues to play a key role in the future development of the PRC's modernization program. After the first loan of 300 billion yen for 1979-1983, Prime Minister Nakasone promised during his China visit in March 1984 another loan of 470 billion yen (\$2.08 billion) for 1984-1990 [Ref. 93: pp. 7-11].



In addition to the \$8 billion in credits several of Japan's commercial banks offered in 1979, the Japanese government made commitments to provide \$3.6 billion in official development loans and more than \$4.4 billion in Ex-Im Bank loans. While Japanese credits have been an important factor in the successful implementation of China's modernization programs, Japanese technical assistance and sophisticated hardware and technology have also contributed significantly to the development of several key industries in China, e.g. steel, fertilizer, synthetic textiles, etc [Ref. 94: p. 44].

Insofar as the prospects for the future of Sino-Japanese economic relations are concerned, the trends seem to indicate a continuation of close cooperation between the two countries. With its new emphasis on the "Four Modernizations" program, China is determined to forge ahead in order to quadruple its GNP by the year 2000. Because of China's immense needs for foreign capital and technology in its economic modernization programs, it is likely that China will continue to seek Japan's economic and technical assistance. The complementary nature of the two economies [Ref. 94: p. 40, 47] almost ensures Sino-Japanese economic cooperation, since China is not only a potentially huge market for Japan's exports, but also an important source of energy and resources.

The signing of the peace treaty with China spurred cordial Sino-Japanese political relations as well. For example, beginning in 1980, Japan and China agreed to establish regular ministerial meetings between the two countries to discuss problems of common interests. Moreover, senior Chinese and Japanese officials have met with some regularity, along with a substantial number of exchange visits between the leaders of the two countries [Ref. 95: p. 525]

Japan's friendship with China is very important for two reasons. Economic merits are obviously one, but less obvious is the political merits gained from such a friendship. Though Japan has paid its fair share of the political prices, i.e. severance of political ties with Taiwan and a deterioration in its relations with the Soviet Union, it has benefitted immensely from the cessation of Chinese propaganda attacks on Japanese militarism. The discontinuation of these attacks helped to eliminate sources of trouble, such as the intensification of internal conflicts in Japan on issues ranging from national security to economic policies, tensions in East Asia, and suspicion toward Japan's intentions in Southeast Asia [Ref. 96: p. 102].

Another political payoff for Japan could be realized in a possible enhancement of its diplomatic involvement in Northeast Asia--Japan can play a potentially useful role in "reunifying" China. When Ji Pengfei (State Councillor and head of the Hong Kong and Macau Affairs Office) visited Japan, he explained to the Japanese government and business community the PRC's policy towards Hong Kong, and sought their cooperation in maintaining the stability and prosperity of the territory through continued Japanese investment and through their recognition of the international status of the new Hong Kong administration after the British withdrawal. Japanese cooperation and support will certainly be important factors in a settlement capable of maintaining Hong Kong's existing functions, such as free port and international financial center. [Ref. 92: pp. 105-106]

From the security standpoint, the Japanese-Chinese relationship has its advantages and disadvantages. On the plus side, the reduction of tension with China is perhaps the most important for Japan. With the normalization of Sino-American relations, Japan has pursued its own independent relationship with the PRC, encompassing the gamut of economic, political, and security concerns. The general

improvement in Sino-Japanese relations in the post-Mao era has contributed to peace and stability in Northeast Asia. Two high-level visits cemented Sino-Japanese relations--China's Party Secretary Hu Yao-bang visited Japan in November 1983 while Japan's Prime Minister Nakasone reciprocated in March 1984. The exchange of thoughts between the two leaders did not concentrate exclusively on economic matters, as might have been expected, but on a wide range of international issues such as the situation on the Korean Peninsula and trends in Sino-US, Japan-US, Sino-Soviet, and Japanese-Soviet relations [Ref. 97: pp. 7-11].

In the aftermath of Chinese party leader Hu Yao-bang's visit to Japan, there were noticeable improvements in Sino-Japanese relations, especially in regard to Japan's defense policy. Prime Minister Nakasone allayed any fears on China's part of a revival of Japanese militarism by emphasizing his government's adherence to Japan's "Peace" Constitution and a defense policy designed strictly for defensive purposes. Hu's response was that "China's trust in Japan was so deep that it was confident that Japan would never invade China, even if Japan's defense capability were expanded" [Ref. 95: p. 536]. There has been a trend towards convergence of thinking on security issues, as evidenced by Deng's endorsement of not only the continuation of the US-Japan security treaty, but also of Japan's right to strengthen its self-defense capability. China does not consider as threatening the buildup of Japan's Ground Self-Defense Forces; nor is an expansion in its Maritime Self-Defense Forces, as long as the that expansion in the MSDF is along the lines of improving its surveillance capability of the sea lanes. [Ref. 98] The two countries share common strategic interests in containing the Soviet threat, as Tokyo and Beijing both perceive Moscow's military buildup in Asia to be the most serious threat to their national security [Ref. 93].

On the other hand, the reduction of political friction between Japan and China has also drawn Japan into Sino-Soviet conflicts as the Soviet Union began to accuse Japan of standing by China, rather than remaining a neutral bystander [Ref. 96: p. 102]. Soviet thinking on this matter regards the growing Sino-Japanese relationship as an alliance to oppose Soviet influence. Indeed, there are contentions that a Japanese-Chinese-American alliance is in the making, if it does not already exist [Ref. 99: p. 12].

Future Sino-Japanese military ties, if and when they are implemented, are likely to be low-key. This will enable Tokyo to dispel any appearances of open military cooperation with the Chinese. Anything more could result in increasing the political and economic strains between Japan and the Soviet Union. As will be discussed in greater depth later in this chapter, Japanese relations with the ASEAN states would also be strained. [Ref. 100: p. 63]

In an effort to quell any misgivings about its intentions, the Japanese Foreign Ministry announced that it recognized the limitations of Sino-Japanese military cooperation, implying that closer defense ties with China would occur only within the parameters of the US-Japan Security Treaty [Ref. 101: p. C3]. In any regard, Japan should remain conscious of the potential dangers of China's long-term ambitions in Asia-Pacific, and to take into consideration the concerns of its Southeast Asian neighbors and of the United States.

In the ensuing decades, Japan's key objective will be a balancing of its security interests with viable diplomatic and economic interaction in its relations with the PRC. A moderate, prosperous, and stable China is important for the cause of peace and stability in East Asia; a China that is floundering and chaotic would threaten that peace and stability. On the other hand, however, Japan will maintain a cautious policy toward China, in order to prevent Tokyo-Beijing relations from taking on an



anti-Soviet posture. This somewhat “even-handed” policy toward the PRC and USSR originated from the anti-hegemonism clause which was included in the Treaty of Peace and Friendship with China in 1978, with Japan being adamant that this clause be included so that the treaty would not affect its relations with the Soviet Union. [Ref. 102: pp. 54-56]

Japan must do what is necessary to ensure that the PRC continues to devote its energies to growth and modernization in a peaceful, supportive environment in Asia. It will be much to Japan’s advantage to contribute to China’s economic health and development. If China continues to concentrate on its modernization efforts, then it needs Japan. Therefore it is probable to assume that China will avoid major foreign policy movements that would antagonize Japan and thereby endanger the realization of its modernization programs. At the same time, however, China will also be cautious in its relations with Japan. Given the modest reconciliation made thus far between Beijing and Moscow, China will not want to jeopardize its position with the USSR by becoming too close to Japan and will seek, instead, more equidistance in its relations with Japan, as well as with the US and USSR. [Ref. 103: p. C2] The growing ties between Japan and China have contributed to peace and stability in Northeast Asia, especially the Korean peninsula, and will in all probability remain a stabilizing factor for regional peace and security in the future.

#### 1. *Taiwan*

After normalization of Japanese diplomatic with the PRC in 1972, the general pattern of Sino-Japanese relations continued to run the way it has been since the 1960s. Essentially, Japanese policy toward China has been conducted on a defacto “two-China” policy. In its efforts to normalize relations with Beijing, and not sacrifice either its economic or security interests, Tokyo agreed to recognize the PRC as the seat

of the sole legal government of China, while at the same time not acknowledging the Beijing's claim to sovereignty over Taiwan. On the other hand, Japan continues to maintain economic relations with Taiwan. Thus, while Taipei and Beijing adamantly proclaim that there is only one China, and that politics and economics are inseparable, Japan has managed to preserve as vague a definition of Taiwan's sovereignty as possible and has steadily expanded economic ties through the genius of *seikei bunri* to become the leading trade partner of both Chinas. [Ref. 25: pp. 39-40]

The importance of Taiwan is evident in the eyes of Japanese defense planners, for it occupies a strategic position on the shipping routes to the south and southwest, both of which are vital to Japan's security and survival. Moreover, Taiwan occupies the critical center of the sea and air passages employed by Soviet forces transiting to and from bases in the Soviet Maritime Province and Vietnam. Most of the supplies for the Soviet far Eastern military bases traverse the Taiwan Strait or the Bashi Channel, both of which could be interdicted from Taiwan. [Ref. 104: p. 55] Taiwan has played a crucial role in both US and Japanese strategy in countering the Soviet Union threat in the Asia-Pacific, but the military necessity of retaining it has been increasingly questioned lately, the biggest argument being that the tension which existed between Taipei and Beijing is no longer salient as it once was earlier [Ref. 89: p. 37]. Furthermore, the military value of Taiwan in protecting the sea lanes along the island's east coast is minimal--the PRC could easily interdict shipping there even without establishing bases on Taiwan because of its substantial submarine force [Refs. 66,86: p. 17 & p. 91].

As far as Japan and Taiwan is concerned in the field of diplomacy, Dr. Joseph Y.S. Cheng (a lecturer in the Department of Government and Public Administration of the Chinese University of Hong Kong) has raised an interesting proposal regarding

Japan's possible role as an intermediary. According to Dr. Cheng, the Japanese government, through the members of the Taiwan lobby in the Liberal Democratic Party and leaders of the opposition parties such as the Komeito, may be able to play the role of mediator between Beijing and Taipei. He noted that in recent years, the PRC's leaders have been cultivating its ties with Kishi Nobosuke, a former Japanese premier and a trusted friend of the Chiang regime in Taiwan. Although Kishi himself has yet to visit the PRC, several of his aides have already done so. In addition, several Komeito politicians have visited Taiwan, which could lead one to speculate that an intermediary role may be in the minds of their party leaders. [Ref. 92: p. 106]

## B. THE KOREAN PENINSULA

### 1. *South Korea*

The year 1985 marked the twentieth anniversary of normalization between Japan and the Republic of Korea (ROK) since 1965. From the onset of normalization, Japan-ROK bilateral relations have warmed and chilled repeatedly. Conflicts over the history textbook revisions<sup>3</sup> and problems with economic and defense cooperation have put a damper on improved relations. Nonetheless, the summit meeting in January 1982 between Prime Minister Nakasone and President Chun established a strong basis for friendly cooperative relations.

As well as normalizing relations, the Japan-ROK Basic Treaty of 1965 also established a framework of economic and political cooperation for the two countries. In its post-normalization relations with South Korea, Japan's policy toward Korea continues to be guided by three essential interests. In the first place, Japanese

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<sup>3</sup>For an excellent historical treatment of the textbook controversy, see Chong-sik Lee, "History and Politics in Japanese-Korean Relations: The Textbook Controversy and Beyond," *Journal of Northeast Asian Studies* 4 (December 1983): 69-93.

economic assistance is regarded as crucial for the continued progress of the ROK's economic development plans. Secondly, Japan's South Korea policy involves the question of its role in the security of the ROK, particularly in the context of Northeast Asian security. Finally, Japan's mediatory role in the North-South dialogue is considered to be an important factor in its quest for achieving stability on the Korean peninsula. [Ref. 105: pp. 1088-89]

South Korea, even more so than China, has crucial economic links with Japan. For instance, trade with Japan accounted for nearly 25 percent of South Korea's total trade in 1983. Japan supplies advanced industrial plants and equipment and other high technology products as well. Korea depends heavily on Japan for the introduction of new machinery technology. According to Korean government statistics, Japan transferred 58.9 percent of the total machinery technology at the end of March 1985. Also, Japanese capital makes up more than half of Korea's total foreign investment. In 1984, Japanese investment totalled \$114 million, sharply up from the previous year's total of \$3 million. [Ref. 106: p. 7]

Historically speaking, Japanese economic assistance has contributed significantly to Korea's economic "miracle". In the First Five Year Plan (1962-1966), the Japanese contributed 29 percent of the total foreign capital requirement (\$630.3 million). In the Second Five Year Plan, although Japanese aid dropped to 19.3 percent of a substantially enlarged total capital requirement of nearly \$3 billion. In the Third Five Year Plan, the amount of the Japanese contribution went up again to 30 percent (\$995 million). [Ref. 105: pp. 1088-1089]

In addition to introducing a large amount of capital into the Korean economy, Japan is also a major source of technology for Korean industrial development, the best-known example being the turnkey import for the construction of



the Pohong Iron and Steel Company Plant (POSCO), which was completed in early 1971. Today, POSCO has become the most efficient steel producer in the world, beating out Japan's Kobe Steel. [Ref. 107]

Since 1981, one of two major irritants from Seoul's perspective is Japan's seeming reluctance in redressing the chronic trade imbalance between the two countries--the trade deficits of more than \$30 billion since normalization occurred. In recent years, the ROK has run an annual deficit of \$3 billion in trade with Japan. The trade deficit problem could be overcome if two prerequisites are met. The first would be a dramatic increase in South Korean exports to Japan; however, the solution to this problem may be long in coming. Like its ally, the United States, South Korea faces tariffs and a closed market in Japan. Import restrictions in Japan abound--Japan imposes an average of 10-17 percent duties on Korean goods (as opposed to the 5-8 percent duty imposed on American and European goods), and levies more than 23 kinds of indirect and nontariff import barriers. To compound the issue, most of South Korea's commodities exportable to Japan, i.e. television sets, cars, ships, etc., are also produced in Japan.

Conversely speaking, the other possible solution would be for South Korea to reduce imports from Japan through diversification of its import sources. This is one area in which South Korea has been successful and over the years, South Korea has been able to diversify economic ties with a large number of countries worldwide. South Korea's imports from Japan has dwindled from a 41.1 percent share of the world total (\$194 million) in 1966 to 22 percent (\$5,350) in 1982 [Ref. 108].

The other major obstacle towards smoother economic relations is the technology transfer issue still pending between the two countries. As previously mentioned, because of the similarities in their economic structures, fierce competition

has resulted for securing overseas markets. South Korea is now challenging Japan's dominance in many industrial fields such as shipbuilding, electronics, and iron and steel. It will not be too far in the future when South Korea becomes competitive with Japan in the automobile and semiconductor industries as well.

The ROK's economic development has paralleled that of Japan, thereby giving Japanese businessmen a well-grounded basis for their fears of the "boomerang effect" taking place. Japan is worried that the transfer of high technology now would later enable Korean industries to compete directly with Japanese firms on the world market. In a speech delivered in Seoul shortly after President's Chun's visit to Japan, the president of Japan's business organization, Keidanren, made the following statement concerning its "anti-boomerang" trade policy:

The United States is suffering from a 'boomerang effect' of having provided technology to Japan following World War II. In view of this experience, it would not seem unreasonable for Japan to guard against a boomerang effect from South Korea in dealing with the request for high technology. [Ref. 109: p. 23]

However, unlike its relationship with the ASEAN states, the nature of Japan's relationship with Korea is fundamentally different. The economies of Korea and Japan are not complementary; in fact, they share more similarities than not, as they both lack adequate natural and energy resources. Consequently, the two are very much dependent on international trade for securing raw materials and energy resources as well as for marketing their manufactured products [Ref. 110: p. 37]. When two similar economies promote similar products, competition in overseas markets will be the inevitable result.

What is most interesting about South Korea's economic development is that not only does it bear an uncanny resemblance to Japan's, but it has also prompted

Korea to adopt an increasingly Japan-like security outlook. Although South Koreans are more dependent on armed security than the Japanese, the rapid expansion of their economy has made Korea more vulnerable to the same sorts of economic threats that Japan faces [Ref. 111: p. 26].

Because of these trends toward convergence, Koreans are in no position to criticize the Japanese, for they would, in effect, be seen as criticizing themselves in the eyes of those who perceive South Korea as another Japan. Here in the United States, members of Congress have “repeatedly expressed concern that, in following Japan’s example, Korea would be contributing to the pressure for protectionist solutions to unfair targeting practices. . .” [Ref. 112: p. VI]. The implication of a convergence of South Korean thinking about non-military factors in national security toward an economics-oriented approach like Japan is that the Japanese may become more empathetic towards the ROK, which in turn, could lead to a Japan becoming more concerned about South Korean security [Ref. 111: p. 26]. But several questions remain to be answered: what is Japan going to do about these concerns? Will Japan persist in a laissez-faire attitude to the security issue, or will it begin to assume a greater regional defense role? The following section on Japan’s security role vis-a-vis South Korea, will attempt to find some answers, if any, to these questions.

Maintaining good economic relations is just one side of the coin; equally important are the military relations between Japan and South Korea. Both countries regard political stability and military balance on the Korean peninsula as vital to their security. In his paper, “Japan’s Security Policy Toward Korea,” Dr. Edward A. Olsen writes that Japan’s *tatamae* position--what the Japanese say for public consumption--is that it recognizes Korean security as being important to Japan (as demonstrated in the Nixon-Sato talks of 1969). However, its *honne* position--what the Japanese really believe in their “heart of hearts”--is one of disinterest, “relief that external

responsibility for Korean security was no longer in Japan's hands, joy that Americans were content to bear the burdens of defending Korea", and one in which "Japan would stand by the US if Americans ever had to rescue South Korea again." [Ref. 111: pp. 17-18]

Although there is no military treaty between Japan and the ROK, there are certain values which they share in common. As members of the Western alliance and treaty partners with the United States, they have the similar objective of defending freedom and democracy. Consequently, Japan and South Korea have a basis for cooperation without an official military alliance not one of the ASEAN leaders criticized Nakasone's defense buildup program [Ref. 113: p. 32]. Japan is placing more emphasis on the connection between its own security and South Korea's, but the question of an explicit security relationship between the two countries remains a highly sensitive issue to both parties. At one end, a majority of the Japanese desire to preserve the spirit of their "Peace" Constitution and to avoid involvement which might provoke North Korea into demanding increased military assistance from its allies. At the other end, the idea of any direct participation of Japanese military forces in South Korea's defense is unacceptable, fearing that any major increase in Japanese military strength could lead to a resurgence of Japanese military ambitions, or worse, that the United States would assign to Japan the responsibilities of defending South Korea. [Ref. 114: p. 282]

The ROK, with its substantial military capability, well-trained and -disciplined armed forces, and staunch anti-Communist regime, is regarded by conservatives in Japan as the bulwark of first-line defense against military threats from the Communist bloc countries. A militarily strong South Korea would further ease Japan's already light defense burden. There are, however, ambivalent feelings regarding this issue. On the one hand, some Japanese have privately admitted that a militarily strong and



politically reunified Korea could seriously challenge Japan's leadership role in East and Southeast Asia. On the other hand, Japan is reluctant to share Korea's defense burden. When the Seoul government proposed in 1981 a plan to meet part of the cost of the 1982-1986 Economic Development Plan, it made a request for \$6 billion in Japanese economic aid. Seoul's linkage of aid to security needs, claiming that the Japanese government needed to start shouldering the defense burden, was deemed unacceptable by Tokyo. The Japanese government agreed to discuss the loan only in terms of economic cooperation with South Korea. [Ref. 110: p. 38]

Likewise, the ROK's position toward Japan's defense buildup is equally ambivalent. While a militarily strengthened Japan capable of defending itself against the Soviet threat would be welcomed by Seoul, South Korea has expressed concern over Japan undertaking an expansive military buildup, either because of US pressure or its own nationalistic mood, for three possible reasons. The first is that an increase in Japan's military capability could very well cause commensurate reduction in the American military presence in South Korea and other East Asian areas [Ref. 115: p. 170], best evidenced by the vacillating policies of the Carter administration's attempts at sharply reducing US troops stationed in Korea. Secondly, from a historical perspective, many South Koreans still have vivid memories of their 36 years of Japanese colonial rule and are apprehensive about a remilitarized Japan that could again pose military threats to them. [Ref. 116: pp. 42-43] Finally, there is a belief that a stepped-up Japanese military buildup would trigger a Soviet reaction that would certainly accelerate the already unmanageable arms race and increase tension in Northeast Asia [Ref. 115: p. 170].

Korea's hesitancy over Japanese rearmament is best expressed in an interview with South Korea's Foreign Minister Lee Won-Kyung, who regards Japan's efforts at

strengthening its defense capabilities as an understandable reaction to the Soviet military buildup in East Asia and as "a factor contributing to peace and stability in this region." However, he supports those efforts only if they are "within Japanese constitutional limits and for the purpose of self-defense." [Ref. 117: p. 59] Nevertheless, South Koreans are beginning to weary of shouldering the burden of maintaining stability and security on the Korean peninsula. They point to the nearly 7 percent of GNP that South Korea spends on its national defense as opposed to the less than 1 percent that Japan spends on its security. Though the South Korean government has pushed for Japan to assume a much larger share of regional defense costs, its efforts at doing so go unheeded by Tokyo as Seoul does not have the same bargaining power that Washington does [Ref. 110: p. 38].

Based on the facts from the foregoing discussion, it is possible to predict that South Korea is likely to take a more flexible attitude toward Japan assuming an increased regional security role. Korea's fears of a threat from a remilitarized Japan will be outweighed by its concerns over the chronic trade imbalance with Japan and competition for markets abroad. The ROK, like the United States, will no longer stand for subsidizing Japan's defense. Indeed, as been demonstrated in the past by President Chun, the odds are that South Korea will continue to increase its demands for Japan to take a more equitable share of the defense burden. A greater Japanese defense role would thereby lessen the heavy strain on the South Korean defense budget, and make more money available on plans for its own national development.

The role neighboring countries play in the maintenance of stability on the Korean peninsula is very important, this being especially true of Japan. Beginning with Prime Minister Sato's visit to the United States in 1969, stability on the peninsula began to be recognized as essential to the security of Japan. The Japanese position

toward the ROK was manifested in the Nixon-Sato communique of that year, was proclaimed important in the Carter-Miki talks of 1978, and was again, reconfirmed during Prime Minister Nakasone's visit to Seoul in 1983 [Ref. 118: p. E2]. It was more recently reaffirmed at the 23rd joint meeting of the Korea-Japan Cooperation Council held in May 1985 [Ref. 119: p. 3].

Both South Korea and Japan have acknowledged that peace and security on the Korean peninsula are not only vitally important for the two countries themselves, but for all of East Asia as well. The South Korean and Japanese governments have agreed to make a concerted effort to reduce tension on the Korean peninsula. Through a joint communique issued during President Chun Doo Hwan's historic visit to Japan in September 1984, President Chun and Prime Minister Nakasone announced that they "share the view that the maintenance of peace and stability on the Korean peninsula is essential to those in East Asia. . ." [Ref. 120]. Nonetheless, the two countries seem to diverge on their perceptions of the security situation of divided Korea, and on their approaches to achieving the reduction of tension [Ref. 121: p. 13].

## *2. North Korea*

Japan has had a rather frigid relationship with the Democratic People's Republic of Korea (DPRK) ever since North Korean leadership followed the Soviet example of "bashing" Nakasone for his hawkish stance on defense matters. Relations worsened further in the fall of 1983 when Japan imposed a ban on most types of unofficial contacts with the DPRK after the Rangoon bomb incident. However, there were some visible signs of a thaw in Japan-DPRK relations as seen in the lifting of the embargo on North Korea in January 1984 by the Japanese government; the opening up of regular air routes between the two countries; and the meetings of Kim U Jong (Chairman of the North Korea-Japan Friendship Association) with Ishibashi Masashi

(Chairman of the Japan Socialist Party), former Prime Minister Miki Takeo, and LDP Secretary General Kanemaru Shin to discuss plans to set up trade representative offices in Tokyo and Pyongyang [Refs. 122,123,124].

There are no diplomatic relations between Japan and North Korea, but there are relations between the private sectors of the two countries. In an interview with a leading Japanese newspaper, Foreign Minister Abe Shintaro remarked that North Korea has begun to show “an extremely flexible posture of holding talks with the South, approaching Japan in a positive way...” [Ref. 125]. Japan regards the normalization of its relations with North Korea as part of an overall effort in promoting stability on the peninsula, and subsequently, in Northeast Asia. Tokyo has thus maintained economic relations with North Korea but on a limited but private level.

Although Tokyo-Pyongyang relations are minimal compared to Tokyo's relations with Seoul, they are quite significant when seen in the context of Japan-South Korea relations. In a strategic sense, South Korea believes that Japan's relations with the DPRK may have an adverse impact on the uneasy equilibrium of power across the 38th parallel, which could then lead to certain military advantages over the ROK. The ROK holds the North responsible for the tensions on the Korean peninsula, pointing to the heavy military buildup by North Korea, with significant amounts of river-crossing equipment deployed along the DMZ and a 104,000 man commando force as prime examples. [Ref. 126: p. 7]

There are several ways in which Japan could take an active part in reducing tensions on the Korean peninsula. One would be for Japan to serve as a behind-the-scenes mediator to ameliorate North-South Korean differences through bilateral and multilateral efforts. However, because Japan is not in a position to



openly and actively promote North-South negotiations, it will have to proceed cautiously and in a low-key manner. As there are no diplomatic relations between Japan and North Korea, and Tokyo therefore has no means of directly meeting with North Korea, there are good possibilities that Japan would make various judgements and moves through China. Because of its precarious "understanding" with Seoul, Japan finds itself in the horns of a dilemma. Though a reduction of tensions on the Korean peninsula would more than likely be of significant benefit to Japan, it is restrained from pursuing an active intermediary role out of fears that such a role might be perceived as putting over pressure on the South Korean government. [Ref. 127: p. 7]

All the four powers--the United States, Soviet Union, China, and Japan--are interested in easing tension on the Korean peninsula, since a reunification would probably be perceived as upsetting the local balance of power. However they are also quite content with the status quo as well. Since it is doubtful that Japan would find itself involved in a military cooperation in the near or medium-term future, a more realistic approach to promoting detente would be by continuing to improve its economic and cultural relations with North Korea and its close economic and political ties with South Korea. Some Japanese perceive that the special relationship between Japan and North Korea may influence Pyongyang to soften its hardline external position, which may ultimately contribute to the reduction of tension on the Korean Peninsula [Ref. 128].

Another way would be for Japan to encourage the Seoul government to liberalize its autocratic political system, thereby reducing some of the domestic tension that would instigate North Korea into taking advantage of political disturbances. Finally, Japan could try to stimulate regional economic interdependence, as it is doing

with the ASEAN states, which would meet both Japanese and South Korean needs to safeguard against economic vulnerabilities, while providing North Korea a possible venue that would encourage it to seek alternative means toward peace. [Ref. 111: p. 27]

Concerning the North-South talks, Japan could work with the PRC in performing an intermediary function as they are both perhaps in the best position to correct the distorted threat perception of the two Koreas have of each other. While North Korea has vacillated between its two "mentors", it appears that China may possess greater persuasive influence on North Korea than the Soviet Union in ending the DPRK's risk-taking actions against the ROK, and in dispersing its economic and technological dependence as widely as possible.

The exchange of visits by the two nations' heads of states in 1983 and 1984 ushered in a new era for Japan-Korea relations. The importance of a close relationship between the two countries has often been emphasized by leaders of both societies, and it appears that efforts to consolidate their mutual cooperation are underway. The ROK-Japan Cooperation Council meeting held in Seoul in May 1985 ended on an optimistic note when President Chun remarked that he was "confident that past undesirable relations between the two countries (will) be forgotten as ties of genuine neighborliness and friendship improve" [Ref. 129: p. 3]. Thus, Japan could find itself playing an enhanced role in shaping the future of the two Koreas based on its underlying concept in its comprehensive security policy--Pyongyang's need for Japan's technological know-how and Seoul's dependence on Japanese investments might just be the factors binding the three governments together. [Ref. 130: pp. 79-80]

## VI. JAPAN AND ITS ASIAN-PACIFIC NEIGHBORS

### A. RELATIONS WITH ASEAN

Historically, Japan has been concerned with developments in Southeast Asia out of the belief that developments in one Asian country would affect all other Asian countries. The Japanese share the apprehension of its Southeast Asian neighbors that instability and conflict within the region may invite great power intervention and competition to the extent that it would raise security risks for all concerned. Also, Japan is uncomfortable with the North-South problem--the disparity between their own economic position and that of its neighbors to the south, and views Southeast Asia as an area in which it may be able to try to find a solution.

The Japanese seem to accept an obligation born of their own political stability and economic strength to contribute to the region's economic development, which they regard as the key to promoting its political stabilization. It is against this template that Japan began to take a more active, though somewhat modest, part in the affairs of the region, symbolized by its admission to the Economic Commission for Asia and the Far East (ECAFE) in 1953, the Colombo Plan in 1954, and by its presence at the Bandung Conference in 1955. [Ref. 131: pp. 209-210]

By the 1960s, Japan's burgeoning economy fostered the growth of its aid program; it began to take initiatives in regional economic affairs by establishing the Asian Productivity Organization in 1961. Five years later, in 1966, the world witnessed Japan taking tentative steps towards a more active involvement in Asian regional politics since World War II by convening the Ministerial Conference for Economic Development of Southeast Asia and by playing a major role in the organization of the

Asian Development Bank. The increasing attention paid toward multilateral economic diplomacy and the quest to gain a seat in a variety of regional clubs indicates Japan's desire to strengthen its international status. [Ref. 132: p. 154]

Japan's current relations with the Association of Southeast Asian Nations (ASEAN) can at worst be characterized as a "love-hate" relationship, and at best, an ambivalent one. On the one hand, there still exists strong anti-Japanese sentiments among various circles, mainly caused by the overwhelming Japanese economic dominance in the region. On the other hand, this same economic preponderance of Japan is also a source of criticism, with charges that Japan has not been positive enough in accepting its economic responsibilities in Southeast Asia. This ambivalency of sentiments, in effect, poses an awkward dilemma for Japan--if it attempts to be more outward-looking, it would be accused of bolstering their own influence at the expense of the countries involved. At the same time, however, if Japanese policy planners attempted to reduce this level of influence by limiting, for example, the levels of economic aid, there would be accusations of selfishness. [Ref. 132: p. 163]

Despite this abundance of seemingly contradictory rhetoric, one fact which cannot be overlooked is that Japan has a wide range of interests in the member countries of ASEAN. In the first place, the ASEAN region has become increasingly important as a major source of raw materials, energy supplies, and other natural resources to Japan, while its vast population provides an important market for Japanese manufactured products. As a result, it has become deeply involved in both trade and investment terms. Since the late 1960s, Japan has become the leading investor, trading partner, and supplier of economic aid to the various ASEAN states. Its cumulative investments in Indonesia, Malaysia, and Thailand have surpassed that of the United States, while it ranks second in Singapore and the Philippines. In trade,



Japan is the number one trading partner for all the ASEAN states except Singapore. For example, Japan's share in the ASEAN countries' foreign trade in 1983 is shown in Table 10.

TABLE 10  
JAPAN'S TRADE PARTNERS IN SOUTHEAST ASIA (1981-1983)

	Exports to:			Imports from:		
(%)	1981	1982	1983	1981	1982	1983
Indonesia	30.7	25.9	23.1	47.4	50.2	45.7
Malaysia	24.6	---	---	21.1	---	---
Philippines	18.9	20.1	17.1	21.9	22.9	19.9
Singapore	18.8	17.9	18.0	10.1	10.9	9.2
Thailand	24.0	23.5	27.3	14.2	13.7	15.5
Brunei*	22.5	23.9	19.1	69.7	68.2	67.7

\*Brunei did not join ASEAN until January 1984, but trade figures are included here for the purpose of comparison.

SOURCES: Calculated from *Direction of Trade Statistics, Yearbook 1984*, International Monetary Fund, and *1982 Yearbook of International Trade Statistics*, (New York: United Nations, 1984).

Secondly, ASEAN's increasing importance is further underscored by its geographical location--with the lone exception of Thailand, these countries occupy a strategic position on the sea routes over which oil from the Persian Gulf flows to Japan. These sea lanes through the ASEAN region have a vital significance for the Japanese economy, for more than 71 percent of Japan's oil supplies and 40 percent of its commodity trade (including that with Australia and Europe) pass through the Malacca Straits [Ref. 25]. Indeed, maintaining access to these sources of energy and raw materials and expanding exports by fostering economic growth in the ASEAN countries are the two pillars of Japan's economic policies toward the region.

Thirdly, a related interest which is vitally important for Japan's comprehensive security is the maintenance of the political, economic, and social peace and stability in this region. It was Prime Minister Suzuki Zenko who introduced the concept of comprehensive security after he assumed the office in July 1980. According to this concept, Japan's security was not to be measured only by its military power but also by its economic, technological, food, resource and social stability indices, and also by the level of mutual trust and friendship between the countries involved. Thus, Japanese policy makers decided to use economic assistance as a major foreign policy tool, reasoning that by "shrewd application of sufficient economic aid to crucial countries or regions, enough political, social, and economic resiliency could be promoted so that conditions leading to internal disorder, disputes, or external intervention might never develop" [Ref. 15: p. 326]. In short, economic aid is just one means to increase Japan's security, and no other region in Asia is perceived by Japan as more vital to its political and economic security than that of Southeast Asia.

A stable political order in this region is viewed as essential to Japan's policy interests. The importance of ASEAN is reflected in the amount of economic aid it

receives from Japan. Japan assigns from 30 percent to 35 percent of its bilateral Overseas Development Aid (ODA) to ASEAN states--roughly a billion dollars annually. In turn, ASEAN receives more than half of its bilateral aid from Japan [Ref. 133: p. 47].

Thailand has long been a major recipient of Japan's ODA, receiving more than two-thirds of its bilateral aid from Japan. Tokyo has been channeling increasing ODA resources to Thailand because of its strategic geopolitical location. It regards Thailand as a front-line state, reasoning that if communism should spread from neighboring Indochina, it would threaten the stability of ASEAN, which would in turn threaten Japan's extensive economic and trade interests in that region [Ref. 133: p. 46]. Japan also allocates aid based on humanitarian concerns, to bolster Thailand's economy in the wake of the Vietnamese invasion of Kampuchea, and the inevitable influx of Indochinese refugees. Hence Tokyo's design is to provide more aid so that Thailand will remain economically strong and socially stable, and at the same time, ensure the sanctity of Japan's own economic security. [Ref. 15: p.331]

The Philippines has taken on increasing importance as an aid recipient because of Japan's desire to help it survive the economic crisis fostered largely by the abuse and mismanagement of the now-defunct Marcos government. The total amount of loans pledged in 1983 was \$271 million, and in 1984 Tokyo promised Manila \$150 million in quick-disbursing commodity loans linked to an International Monetary Fund (IMF) stabilization program [Ref. 15: p. 331].

Finally, Japan has assumed a sort of moral obligation to respond positively to the growing expectations of such ASEAN countries as Singapore and Malaysia which are looking to Japan for guidance in the further development of their economies. Prime Minister Lee Kwan Yew of Singapore has been carrying on the "learn from

Japan movement". Under his leadership, the Singaporean government embarked upon an ambitious all-island beautification campaign, massive industrialization, and housing renewal projects in 1964, justifying them with the rationale that it "was necessity to learn from and catch up with Japan" [Ref. 134: pp. 75-76].

As a result of the "learn from Japan movement", a large number of Japanese enterprises have rushed into Singapore. Besides increasing the number of Japanese residents to 20,000 as compared with only several thousand in the early 1980s, Japan has influenced Singapore to adopt its system of business and management techniques. Furthermore, the Singaporean government, impressed with Tokyo's low crime rate, adopted the Japanese-style police box system for its own crime prevention program. [Ref. 134: pp. 77-78]

Malaysia, too, has adopted a similar strategy in its aims at enhancing and promoting security and development of the country. Its "Look East" policy resulted in an extensive exchange program whereby a number of its high school graduates were sent to Japan to receive on-the-spot technical for six months in various fields , such as engineering, personnel management, employee relations, and quality control. Since the government adopted the "Look East" policy in 1981, more than 430 trainees have been sent to Japan for technical training [Ref. 134: p. 78].

Malaysia also receives a considerable amount of aid from Japan, because of its importance to Tokyo's security interests. Besides being a source of essential natural resources, Malaysia is strategically located on the Straits of Malacca--a vital sea lane for oil from the Persian Gulf--and along with Thailand, plays a key role in the stabilization of the political situation in Indochina [Ref. 15: p. 331].

Although Japan would like to play a larger diplomatic role in Southeast Asia, its chief contribution and focus remain in the economic sphere. Nevertheless, there has



been some slight but notable shifts in Japan's economic policy toward ASEAN, which involve Japanese aspirations to play a more important political role commensurate with its economic influence in the region. Japan's visibly active diplomacy in Southeast Asia was initiated in December 1976 when Prime Minister Fukuda Takeo set forth the three-point "Fukuda Doctrine":

- (a) Japan wishes to contribute to the maintenance of peace and stability in Southeast Asia but will refrain from developing any military role
- (b) Japan seeks to intensify its economic cooperation with the ASEAN states
- (c) Japan will work towards a "heart-to-heart understanding" with the peoples of Southeast Asia [Ref. 135: p. 185]

In the political realm, Japan's objective is to create a sphere of prosperity and stability in this area with non-Communist governments. Its long-term goal is the achievement of major power status and influence in Southeast Asia. That is not to say that Japan wishes to become the predominant power with a controlling influence, rather, its policy is to prevent a single hostile power from dominating this region [Ref. 132: pp. 153-154].

Aside from seeking memberships in the various organizations outlined earlier, another way Japan has safeguarded its economic interests and promoted its political influence was by playing the role of diplomatic mediator. Between 1963 and 1965 Japan made two attempts to mediate between Malaysia and Indonesia over the latter's confrontation policy toward the former. Although the outcome in either case did not quite meet the expectations of Tokyo, Japan did succeed in maintaining an open dialogue between the two countries, particularly after Britain had broken off diplomatic relations and the US had suspended economic and political ties with Jakarta. Japan took on the mediatory role in regional conflicts again in 1970 when it participated with

Indonesia and Thailand in convening the May conference on the Cambodia crisis [Ref. 132: pp. 154-155].

Yet another step towards increasing Japan's political influence was taken in January 1981, when Prime Minister Suzuki visited Southeast Asia and sought to establish "conceptual priorities" for future Japanese-ASEAN relations: rural and agricultural development; energy development; human resources development through programs for education, management, and technical training; and the promotion of labor-intensive small and medium enterprises [Ref. 110: p. 34]. In addition, the terms of Japanese aid had become exceedingly attractive by this time--loans to Indonesia announced in late 1980 included a ten-year credit of 14.5 billion yen through Japan's Export-Import Bank at an annual interest rate of 7.5 percent and a 33 billion yen credit through the Overseas Economic Cooperation Fund, with an eighteen-year term, a 2.5 percent interest rate, and a seven-year grace period [Ref. 136].

It is clear from the foregoing discussion the importance of Japan as a major trading partner to ASEAN. The ASEAN states especially need Japanese economic cooperation and technological assistance. Also, Japan is the most important market for the region's raw materials, metals and ores, and crude oil. Paradoxically, though, the very roots of Japan's economic success have created a barrier between Japan and its Southeast Asian neighbors. Japanese businessmen and officials have often been criticized for being arrogant and condescending toward other Asians [Ref. 110: p. 35].

Despite these difficulties, though, Japan is making efforts at developing a more visible political role. This was evidenced by various Japanese government proposals to act as ASEAN's unofficial spokesman in Washington and in Hanoi. Since the end of the Vietnam War and with the growing presence of the Soviet Union in Vietnam, Japan's role as a mediator between ASEAN and Vietnam has become increasingly

accepted. For example, Tokyo lobbied successfully, at ASEAN's request, for resolutions which called for the withdrawal of foreign forces from Kampuchea, the self-determination of its people without foreign interference, and the continued seating of Democratic Kampuchea in the United Nations. [Refs. 135,137,138: p. 185, p. 55, p. 10] Indonesia, for example, is supportive of a larger political role for Japan. In an interview with a leading Japanese newspaper on his visit to Japan last May, Indonesian Foreign Minister Mochtar said that "I want Japan to rise above its being an economic big power and contribute to peace in Cambodia in the political field" [Ref. 139: p. 2].

Another area in which Japanese diplomacy made significant progress was Indochina. In April 1984, Japanese Foreign Minister Abe took the initiative and arranged for a meeting between himself and Vietnamese Foreign Minister Nguyen Co Thach, the first such ministerial meeting in five years. At the meeting, Abe tried to impress on Vietnam Japan's willingness to help Indochina economically in the event of a solution to the Kampuchean issue. Furthermore, Abe stressed Japan's willingness to help finance an international peacekeeping force if one was established in the event of a Vietnamese military withdrawal. [Ref. 140: p. C5]

To avoid any misunderstanding of its political role, Japan has gone to great lengths to assure ASEAN leaders that it has no desire of assuming a military role in the region. At a Japan-ASEAN conference in September 1981, former Prime Minister Fukuda admitted that Japan possessed the capability to become a military power commensurate with its economic power, but insisted that Japan intended only to "become a porcupine or a hedgehog with just enough power to repel enemies when attacked" [Ref. 135: p. 185].

An area of concern is the development of Sino-Japanese economic cooperation. Japan's growing relations with the People's Republic of China are often eyed with

suspicion by the ASEAN states, particularly Indonesia and Malaysia, the two countries most wary of Communist insurgents allegedly supported by Beijing. The image of an aggressive, expansionist China remains strong among many of the Southeast Asian leaders who perceive that China, and not the Soviet Union, poses the greater military threat to the region, based on geographic proximity and past history of Chinese expansionism [Ref. 141]. The immediate concern of the ASEAN states over close Sino-Japanese ties is whether Japan's large-scale assistance to China's economy might not be disadvantageous to them. Moreover, this concern is underscored by the fact that two member nations of ASEAN, Singapore and Indonesia, have not yet established diplomatic ties with the PRC [Ref. 138: p. 10].

Another cause of anxiety for Southeast Asians is the potential for the development of Japan's role as a military power. Although the Japanese have been emphatic in allaying fears of a remilitarized Japan, the issue has grown more salient in view of the increased willingness of Japan in building up its defense capabilities partly in response to the changed strategic environment and partly in bowing to US pressure for greater burden sharing. The "history textbook" episode, whereby Japan's Education of Ministry had rewritten history books to downplay Japanese militarism during World War II, resuscitated old memories and fears [Ref. 8: p. 12].

Japan's planned expansion of its sea-lanes defense to 1,000 miles is a cause of concern for its neighbors in the Pacific Basin. The ASEAN states, however, are divided over Japan playing a larger military role in Southeast Asia. Though Singapore, Indonesia, and Thailand appear receptive to a limited Japanese military presence in the Western Pacific, the remainder of the ASEAN countries have misgivings about the possibility of a Japan which could embark on a course that would once more bring its armed forces into the region. Memories of Japan's World War II "Great East Asia



Co-Prosperity Sphere" still haunt many of its neighboring countries, putting a damper on an increased role for the Japanese military. Some fear that the 1,000 mile plan is only a first step--once Japan has the capacity to patrol that distance, why stop there? What's to prevent Japan from patrolling 1,500 or even 7,000 miles?

Indeed, many Asians find it hard to see how the patrolling of only 1,000 miles would contribute significantly to the security of Japan's vital sea lanes since it is an additional 6,000 miles to the Persian Gulf oil fields. Moreover, Western and Japanese security officials have yet to forward a convincing scenario to their Southeast Asian counterparts as to how sealane protection could be initiated, without a massive increase in the present rate of Japanese defense spending, before the Soviet Union would neutralize Japan with nuclear and conventional forces [Ref. 8: p. 13].

On the other hand, however, there are indications which reflect a gradual acceptance of an enhanced security role for Japan. An interesting development occurred when Prime Minister Nakasone made a tour of the ASEAN states prior to the Williamsburg summit in 1983--Japanese correspondents accompanying him were surprised that not one of the ASEAN leaders criticized Nakasone's defense buildup program [Ref. 113: p. 36]. Even Philippines' Marcos, who once stated in a press conference during his visit to the United States in September 1982 that Japan still had ambitions to control Asia [Ref. 142], remarked that Prime Minister Nakasone had convinced him that Japan had no intention of reviving militarism or becoming a menace to its neighbors. The only other government which had expressed earlier misgivings about Japan's military intentions also endorsed an expansion of Japan's defense forces. President Suharto of Indonesia told Nakasone that as long as Tokyo's policy aimed only at protecting Japan, there would be no problems. [Ref. 143: pp. 15-16]

These facts seem to suggest a growing, albeit a reluctant, acceptance of Japan playing a larger security role in the near future. The reasons are partly due to Japan's perceived need to protect its sea lanes of communication (SLOCs), and partly due to the belief of many ASEAN leaders that the US will increasingly shift its responsibilities toward the Indian Ocean and Persian Gulf regions.

Though doubts still linger about the desirability of a Japanese defense buildup, most Southeast Asian defense planners and officials identify Japan's rationales for an expansion in its defense forces as being the same as their own. The growing support for greater Japanese defenses is closely interrelated to those of public support for defense increases and allied reliability. Southeast Asians fear the aggressiveness of Soviet diplomacy may threaten to destabilize non-Communist countries in Southeast Asia if they do not cease their support for anti-Vietnamese forces there through insurgency support or physical military presence. [Ref. 8: p. 21] Moreover, ASEAN analysts reason that if a buildup is inevitable, it would be to ASEAN's advantage to work with the Japanese in defining a common defense policy against a mutually identified threat and to institutionalize future Japanese-ASEAN defense cooperation preferably with an American linkage or on an intra-regional basis. It has also been reported that Thailand, Singapore, and even Indonesia have been involved in security consultations with Japan [Ref. 144: p. 283].

The ASEAN states, like Japan, value highly a stable and peaceful region, for it is the maintenance of stability and peace which is a prerequisite for future economic and political development. Japan has been, and probably will continue to be, ASEAN's major economic partner. One important way in which Japan can contribute indirectly to Asian-Pacific security is by enhancing its own capacity to defend its homeland and surrounding seas. However, this improvement in its defense must be undertaken gradually and within the context of the US-Japan security agreement.

Because of Japan's growing economic influence and power, an expanding Soviet military presence, and continuing pressures from the United States for burden-sharing, it is likely that Japan will begin to take on a larger, more conspicuous role in both political and military affairs in Southeast Asia. It will be by assuming greater diplomatic and military responsibilities that Japan will be better able to preserve its own security as outlined in its comprehensive security concept. The threatening Soviet posturing can most likely lead to the ASEAN states seeking politico-military counterweights in the form of a continued US military presence in Southeast Asia, and also in promoting a greater tolerance for a strengthened Japanese military presence as well. [Ref. 8: pp. 21-22] The maintenance of close and friendly relations between Japan and the ASEAN countries, fortified by Japanese contributions to the economic development, political stability, and military security of these nations is essential for the security of Japan itself.

#### B. RELATIONS WITH AUSTRALIA AND NEW ZEALAND

Nearly a decade has passed since the signing of the Basic Treaty of Friendship and Cooperation on June 16, 1976. As with the Koreans, bitter memories of Japan's involvement in World War II still remain strong among many Australians. However, the 1976 treaty, taken in the face of much prejudice and apprehension, was a giant step forward towards smoother relations between the two countries. The growth of the relationship between Japan and Australia, little appreciated outside the two countries and even at times by some within them, has begun to flower. Though the relationship has never been a smooth one, it is one which both countries believe they have little choice but to nurture. Nevertheless, the prospects look promising that it will deepen in the coming years.

What has brought the two countries together is a booming trade that has made each increasingly dependent for its economic growth on the economic growth of the other. Japan would not have been able to build up its manufacturing industries as rapidly as it did without Australia's resources. At the same time, Australia could not have gotten its 'resources boom' off the ground without Japan, whose appetite for massive quantities of resources over a long period of time enabled Australia to obtain the financing to build up its mines, mining towns, ports and railways [Ref. 145].

Although Japan has not lessened its contacts with Europe, it has increasingly promulgated trade with Australia and New Zealand. Australia's and New Zealand's biggest trading partner is, in fact, Japan. Trade between Japan and Australia reached \$9.7 billion from July 1983 to June 1984, more than that between the United States and Australia. Japan accounts for nearly 35 percent of Australian exports and supplies 21 percent of its imports. Japan's trade with New Zealand totalled \$1.4 billion. [Ref. 146: p. 11]

Australia's trade patterns have gradually shifted away from its traditional European markets to the Japanese market. A number of factors have contributed to a reorientation of Australian trade--when Australia's agricultural exports faced increased barriers in British markets, the products of its mining sector found a ready market in Asia, Japan in particular. Conversely, Japanese producers have made major inroads into Australia's market with its familiar export products, at the expense of the British suppliers [Ref. 147: p. 241]. One of Australia's principal concerns in trade with Japan is the disproportionate results of trade fluctuations. In an effort to ameliorate these effects, Australia is pressing Japan for more long-term contracts for raw materials, energy resources, wool and beef. The Australian beef issue has continually plagued Japan-Australia relations, but on June 26, 1984, the general framework for the import of beef by Japan was settled. [Ref. 148]



In a similar fashion, there has been an evolution in the trade patterns between Japan and New Zealand. According to the New Zealand Minister of Foreign Affairs and Overseas Trade, the United Kingdom took 88 percent of New Zealand's exports in 1944; in 1980 the figure was 14 percent. Japan in 1948 took 0.03 percent, whereas in 1980, that figure rose to 12 percent [Ref. 149: p. 51]. During his week-long visit to several South Pacific nations, Prime Minister Nakasone's main item on his agenda was the promotion of increasing economic and cultural cooperation. He proposed, as a show of good faith, to increase trade with Australia and strengthen fishing cooperation with New Zealand. Moreover, the Japanese prime minister promised that Japan will cooperate with the Australian effort for industrial reorganization in the scientific and technological fields. [Ref. 150: pp. M1-M2]

As Japan's trade with its Pacific neighbors continues to grow, particularly in its energy requirements and as part of Tokyo's efforts at diversification, Japan will increasingly turn toward Australia as one of the key suppliers of energy, as well as raw materials. Despite the ubiquitous trade imbalances suffered by many of its neighbors, Japan is becoming more sensitive to their plight and is becoming more involved in an effort to help reduce tensions. Painful memories of the Pacific War are slowly but surely fading; Japan's relations with Australia and New Zealand are continuing to warm. In both Australia and New Zealand there are Australian-Japanese and New Zealand-Japanese Foundations, and there is a much greater interest being shown in Japanese studies than formerly [Ref. 149: p. 52]. In addition, during his visit to New Zealand, Prime Ministers Nakasone and Lange agreed to set up a 'working holiday' system to expand youth exchanges to strengthen bilateral ties. [Ref. 151: p. M2]

The considerable and increasing trade between Japan and Australia would naturally require protection in time of war. Because of their limited military strengths,

the two countries are not capable of protecting this trade (assuming that the Soviet Union would be the antagonist). Australia shares the view with the United States that Japan needs to strengthen its defense capability, particularly in developing a capacity to patrol sea lanes. As discussed earlier, in order for Japan to effectively safeguard 1,000 miles of maritime routes southeast and southwest from Japan, it would require increasing the present Japanese Maritime Self Defense Force by a factor of three. Australia, with a much smaller naval strength than even Japan's, could do little to safeguard any of its three major routes--north to Southeast Asia and Japan, northwest to Europe and northeast to the United States [Ref. 152: p. 249].

In spite of Australia's urging Japan to increase its maritime strength, Australians, like their ASEAN neighbors, seem to have ambivalent feelings over a militarily strong Japan. Officials in the Australian Labor Party (ALP) have voiced concerns over Japan's possible development as a regional security actor beyond the levels required for self defense, either from external (US) pressure or internal decisions, believing that such a development would have a destabilizing effect on the Asian-Pacific region [Ref. 153: p. 200]. In a speech given by the Australian Minister for Foreign Affairs, the Honorable William G. Hayden addressed the issue of the Japanese security role as follows:

The Prime Minister and I have stated publicly Australia's appreciation of Japan's right to determine its own defence policies in the light of its domestic and regional sensitivities. Australia recognises that Japan makes an effective contribution to Western strategic interests through its Self-Defence Forces and the US-Japan Mutual Security Treaty. We welcome the increasing role Japan is playing diplomatically and economically in the region and we are confident that the general direction of Japan's defence policies are *exclusively for self-defence* (emphasis added). [Ref. 154: p. 2]

The generally negative Australian attitudes towards a militarized Japan are historical--the Japanese entry into World War II traumatized Australia as its northern

cities were bombed, providing well-founded fears of an Japanese invasion. After all, misgivings about Japan's future intentions were key factors in the formation of the ANZUS Treaty and subsequent defense postures. However, Australia will begin to feel the after-effects of changing world attitudes towards the Japanese, particularly from one of its closest allies, the United States. Because of its warm ties with the US, Australia may find itself reevaluating its defense policies in regard to Japan. As Henry Albinski put it: "American influences on Australia have been deep and varied, on balanced welcomed, rarely actively resisted" [Ref. 155: p. 419]. The influence of American strategic thinking notwithstanding, Australia must eventually come to terms with Japan's global political and economic standing. Indeed, increased Japanese-Australian military collaboration might be a logical complement to ASEAN aspirations for Asian-Pacific countries moving toward more stable relations with the major powers. [Refs. 153,156: p. 205, pp. 13-15]

As discussed in the previous section, the growing ASEAN acceptance of an enhanced Japanese military role may help influence both New Zealand and Australia in adopting a more relaxed posture towards the Japanese. It may not be fair to assume that because Australia and New Zealand have joined the Five Power Defense Arrangements (FPDA), the Southeast Asian members of FPDA have had an undue influence in Australia's and New Zealand's strategic thinking; however, I will argue that there has been a trend towards a convergence on security issues.

The linkage between the ASEAN countries' defense attitudes and the defense policies of their neighbors to the south is best illustrated in the following speech given by the Australian Defense Minister. In the words of the Honorable G.G.D. Scholes:

The purpose of this conference is to examine the strategic situations of Australia and New Zealand. . . . We are located together in an area of the globe where geographic considerations influence our security outlook in the same important ways. . . .

A fundamental aim of Australian defence policy is to continue to strengthen the commonality of strategic interests between Australia and the countries of Southeast Asia and the Southwest Pacific. . . .To strengthen the commonality of strategic interests between Australia and (these) friendly countries. . . .defence relationships have been broadened and strengthened. [Ref. 157]

Like its Southeast Asian neighbors, Australia and New Zealand will begrudgingly recognize that the increase of Japan's military power will be an inevitable and legitimate step in its plans for improving its own self-defense.

Returning once more to the sea lanes issue, there is still another incentive for Australia in adopting a more positive attitude towards Japan, one less imbued with concerns of a militarily resurgent and potentially hostile Asian power. The relative decline of US capability to defend Japanese merchant shipping is spurring Japan to develop strategies to meet what it considers to be a real threat in the short term. Logically, it follows then, that a threat to Japan's shipping is automatically a threat to Australia's--more than half of Australia's trade by volume is with Japan or Northeast Asia, and some 30 percent of its economy is either directly or indirectly dependent on unobstructed shipping routes to Japan [Ref. 158: p. 46]. Furthermore, this inexorable drive towards defense improvements is coupled with Japan's need to exercise greater political weight in a world much affected by its unquestioned international economic status.

Despite Australia's informal mutual defense arrangements, its main international security obligation, however, is not local or even regional, but global. Australia plays a part in the defense of Western interests and the Western economic and strategic systems, including Japan [Ref. 159: p. 268]. Though Japan is barred from becoming involved in formal collective security arrangements, there are no legal restrictions preventing it from participating in joint military exercises, as evidenced by its participation in US-sponsored "Rim Pac" joint naval maneuvers involving Canada,



Australia, New Zealand, Britain, and Indonesia [Ref. 160]. Overcoming present Australian misgivings about Japan's expanded security role in the Asian-Pacific region could be accomplished through continued joint exercises with Australia, which could then eventually lead to an informal mutual defense cooperation between Japan and Australia. In his private talks with Prime Minister Hawke and New Zealand Prime Minister David Lange during his Pacific tour in January 1985, Japan's Nakasone stressed the need for "unity among members of the Western alliance", quietly reaffirming his approval of the ANZUS pact which links those two countries with the United States [Ref. 161: p. 28].

The viability of that pact, however, was severely shaken when New Zealand refused to allow a port-call by the US destroyer *Buchanan* in February 1985 because of the nuclear weapons on board. By the same token, Wellington's firm stand on its non-nuclear policy of not allowing port-calls by nucleated-powered ships or ships carrying nuclear weapons thrust Japan into the world limelight because of a similar policy regarding nuclear weapons. Such a strong stance by a long-time ally of the US would at first seem to put Japan on the spot since the Japanese have for many years skirted the nuclear weapons issue by the discreet use of a policy that calls for "prior consultations" under which Washington is to seek Tokyo's agreement to any introduction of such weapons into Japan. As it turned out, Japan's reaction to New Zealand's ban on nuclear weapons was minimal--Nakasone did not directly urge Lange to modify his position, nor did he gave any indication that Tokyo would change its policy either: "New Zealand is New Zealand, Japan is Japan," he said [Ref. 162: p. C1].

Although Lange's behavior has thus far not upset the fragile understanding Japan has maintained on the nuclear issue, there has been a certain amount of fallout from the New Zealand affair which included efforts by the JSP to organize support for

a pan-Pacific nuclear-free zone, and an upsurge in local anti-nuclear movements in Japanese cities and prefectures. Though it appears that for the time being Japan has survived the worst effects of the Wellington trauma, clearly, there could be major long-term strategic implications for Japan if there is a collapse in the security arrangements under the ANZUS alliance or a drastic re-negotiation of the pact. However, Tokyo is confident that any re-negotiation will be long in coming and that the time to consider its implications for Japan will be after, not before, the details of any such a re-negotiation is made clear. [Ref. 163: pp. 24-25]

The following excerpt from an editorial in the pro-government Japanese newspaper, *Sankei*, summarizes perfectly Tokyo's stand on the nuclear issue and its relationship with the United States:

We Japanese cannot intervene directly in the argument. However, as for the case of Japan, which is in a similar situation as a maritime country, we cannot but think that the solidarity of the West is necessary, first of all, in order to counter the Soviet military build-up and to support the progress of US-Soviet disarmament negotiations. To be concrete, it is to fulfill the mutual obligations of the Japan-US alliance under the Japan-US Security Treaty. In this sense, we want to confirm that opposition in Japan to port-calls by US naval ships is illogical. In an age of nuclear weapons, there cannot be a strategy taking only conventional war into consideration. [Ref. 164: p. 10]

### C. THE PACIFIC COMMUNITY CONCEPT

The phenomenal growth of the Asia-Pacific economy during the 1970s has led to several proposals for cooperation in a wider area, that of the Pacific basin as a whole. The countries included in this region would be the five Pacific OECD members (Canada, the United States, Japan, Australia and New Zealand), three East Asian NICs (South Korea, Taiwan and Hong Kong), and the six ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei), as well as a number of Pacific island states [Ref. 165: p. 144].

The concept of a Pacific Basin Community (PBC) that would encompass the aforementioned countries is not new and has been spreading rapidly of late, having already an impressive foundation. Australia's Prime Minister Hawke enthusiastically advocated the PBC concept during his 1984 tour of ASEAN, China, Japan, and South Korea, and again in 1985 during the Japan-Australia Summit talks held in Canberra; President Reagan of the United States espoused a similar idea during his Asian tour in 1984 [Refs. 166,167,168: p. 192, p. 18].

The Pacific Basin contains some of the world's fastest growing economies and those countries' trade and commercial relations with each other and the rest of the world are becoming increasingly significant in global terms. These economic and commercial realities are beginning to surpass in importance the traditional trade relationship with the Atlantic as evidenced by the fact that in 1962, the western Pacific (East Asia and Australasia) accounted for only 9 percent of world output; by 1985 however, that figure had climbed to 13 percent. In addition, the proportion of world exports from Pacific Basin countries doubled to 19 percent between 1962 and 1984. Countries in the Pacific Basin currently conduct more than 60 percent of their commerce with each other, as opposed to 45 percent in 1962. [Ref. 169: p. 79]

The industrial growth rate of these countries has been averaging at greater than 7 percent annually. Manufacturing industries of the NICs, such as the ROK and Taiwan, and the ASEAN countries, have grown phenomenally in the 1960s and 1970s. According to the World Bank's "Report on World Development," the average growth rate (real) in the ROK was 17.6 percent in the 1960s and 16.6 percent in the 1970s, in Taiwan it was 17.3 percent and 13.2 percent, and in Malaysia and Thailand it was 10.6 percent and 11.8 percent [Ref. 170]. One of the important factors for the rapid growth of the manufacturing industries of Asian countries was the influence of Japan, which

supplied capital goods and intermediate products to these countries smoothly. Japan especially played an important role in the industrialization of the NICs and the ASEAN countries with its capacity to supply various kinds of products, ranging from raw materials to finished goods.

Countries of the PBC share not only the abundant marine resources of the Pacific Ocean, but also the vast amount of seabed mineral resources contained there. Moreover, in demographic terms, the population of the region is able to sustain continued economic growth since it accounts for nearly 60 percent of the world's population. The area is also gaining significance in terms of commercial shipping and air transportation as it is expected to be the most important area in the world for the production of petroleum by the year 2000. [Refs. 171,172: pp. 400-401, p. 116]

The advent of a "Pacific era" has come to be recognized definitely throughout the world. This recognition generally is based on historical and geographical views that there is a discernible westward drift of civilization from the Mediterranean to the Atlantic and now to the Pacific [Ref. 173: pp. 38-39]. In any case, the prospect is that the Pacific will continue to show dynamic economic growth in the future. It is because of this phenomenal growth that we may see the focus of world activity, influence and decision shifting to this region. Norman Bailey, director of planning at the White House National Security Council (NSC), disclosed this statement in a speech before the International Monetary Conference in Brussels in 1983, a line endorsed by both NSC adviser William Clark and President Reagan himself: "The economic centre of gravity of the world is rapidly shifting to the Pacific basin--including the Pacific areas of North America" [Ref. 174: p. 55].

The thriving economy of the Pacific basin has given further incentive for a proposal to form a wider economic cooperation among the members of the region,



thereby reinforcing the area's own trend of growth while being shielded from any negative influences in other regions of the world. It appears that the Japanese concept of a Pacific Community was first pioneered by the Japanese economist Kojima Kiyoshi in 1965, when he proposed to form the Pacific Free Trade Area (PAFTA) of the United States, Canada, Australia, New Zealand and Japan. Although this proposal never materialized, it did lead to the manifestation of a forum known as the Organization for Pacific Trade and Development (OPTAD), which was strongly supported by the Japanese government [Ref. 165: p. 146]. In 1967, Japanese and Australian businessmen who had been coming together annually for some years in a bilateral forum, the Australian-Japan Business Cooperation Committee, decided to form a larger group incorporating members from Canada, New Zealand, and the United States. Thus was born the Pacific Basin Economic Council (PBEC). [Ref. 172: p. 116]

A more important development was the establishment of the Pacific Economic Cooperation Conference (PECC) in Canberra in September 1980. This conference recommended that a standing committee be set up to coordinate information exchange as well as to establish task forces to study specific issues relating to the problems of economic cooperation. These objectives were accomplished by the second PECC which was held in Bangkok in 1982. [Refs. 165,161: p. 147, p. 29]

The concept of a PBC has been the subject of much discussion and debate among a number of Pacific Basin countries, and revolves around two closely related issues, that of desirability and feasibility. As mentioned earlier, there are many incentives for establishing a PBC, the foremost being economic. In spite of the obvious economic benefits to be gained from a formation of a PBC, there are, however, major obstacles to be overcome in order to establish one. For example, significant

cultural, social, and linguistic differences exist between the various countries of the Pacific Basin. Moreover, the level of technological and industrial development vary widely among them as well. Though not insurmountable, these differences would create difficulties and hinder efforts at reaching mutual understandings and the movement toward realizing regional aspirations. To win support for the PBC idea, Japan, along with the United States, would have to:

. . . demonstrate their respect for developing nations' sovereign powers through investment and technological assistance, reducing protectionist trade policies, and cooperating in efforts to stabilize prices of these nations' export goods. [Ref. 174: p. 62]

In order to overcome possible tension arising out of the cultural and political diversity of the Pacific Basin countries, Japan has been playing an important role by promoting cultural exchanges with them as well as with the rest of the world through such organizations as the Japan Foundation [Ref. 175: p. 48], and the JOCV, which has thus far been highly successful in exporting not only traditional Japanese culture and arts, but also modern culture and scientific achievements. One specific area in which Foreign Ministry officials readily admit as policy goal is the "development of human resource potential--in other words, education" [Ref. 161: p. 31]. The Pacific Basin Cooperation Study Group (PBCSG) established in 1979 by Prime Minister Ohira, recommended that one way in which Japan could foster a more cohesive inter-relationship among Pacific states would be by making its universities drop their ban on the hiring of foreign professors and making it easier for foreign students' admission into Japanese universities. One result of the PBCSG recommendation has been a doubling of foreign students in Japan, from approximately 5250 in 1975 to nearly 10,000 in 1983. [Refs. 161,176: p. 30, p. 90]

The formation of a PBC, no matter how informal it may be, still calls for Japanese initiative and consensus among the Pacific nations. The establishment of the Pacific community concept has taken on increasing importance as a forum in which Japan would be able to fulfill the international responsibilities it can no longer ignore. Japan will have to take the initiative in promoting stability in the Pacific community through its economic diplomacy. However, the danger here for Japan lies in the very successes of its economic influence in Asia--the progress of industrialization leads to a structure which makes it necessary for these countries to rely heavily on Japan for capital goods and intermediate products. Moreover, there is a possibility that Japan's intention of maintaining a regional, if not a global, order will be misunderstood and that the concept of a Pacific community will be viewed as another Japanese attempt at hegemony or even a resuscitation of the *Dai Toa Kyo-eiken*.

Nevertheless, countries of the Pacific Basin should realize that they have benefitted tremendously from the expansion of the Pacific Basin economy in terms of lower prices for higher quality goods and in expanded exports and investments to this region--they should also not forget that Japan has been instrumental in that expansion of the Pacific Basin [Ref. 177: pp. 598-600]. If Japan desires to become successful in strengthening the idea of Pacific cooperation, it should do so from a long-range, comprehensive point of view, and concentrate on gradual cooperation in the non-military fields such as the economic and technological fields instead; Japan's "Comprehensive Security Policy" would do nicely.

## VII. CONCLUSIONS

There remain few doubts about the importance of the role which Japan will play in the Asian-Pacific region in the 1980s and beyond. Being the dominant trade partner for almost all the countries in the region, as well as being the primary source of aid, technology and investment, Japan is becoming one of the major determinants of the region's future. A new climate of opinion has been slowly evolving in Japan, foreshadowing a greater willingness to become more responsibly involved in regional and world affairs. Since Prime Minister Fukuda's visit in 1977 to ASEAN and the subsequent announcement of the Fukuda Doctrine in 1977 whereby Japan pledged to double its level of foreign aid to the countries of ASEAN, the scope and depth of the relations between Japan and ASEAN have improved considerably from what they were more than ten years ago. As exemplified by Prime Minister Nakasone, successive Japanese prime ministers have made it a rule to visit ASEAN countries as soon as possible after taking office, while Japanese foreign ministers are regular participants at ASEAN's expanded ministerial conferences [Ref. 165: p. 157].

The Japanese rapprochement with the PRC in 1978, without waiting for Washington to normalize its relations with Peking, were signals of a change in the Japanese international outlook. This has paid off handsomely, as evidenced by a series of visits by Chinese leaders--Deng Xiaoping in 1978, Hua Guofeng in 1980, Zhao Jiyang in 1982, and Hu Yao-Bang in 1983--marking the growing relationship between Japan and China. Support for close Tokyo-Beijing ties has filtered down to the grass-roots level as well. According to a public opinion survey on diplomacy taken in June 1984 by the Prime Minister's office, 77 percent of those surveyed believed that of



all the Asian nations, Japan should maintain close relations with China, up from 64 percent in 1978 [Ref. 176: p. 146].

Similarly, the style and vision of Prime Minister Nakasone no doubt contributed greatly to the current warm relations between Tokyo and Seoul. As Japan becomes more conscious of the fact that it needs to balance its economic dynamism by greater political involvement in regional affairs, relations with its fast-developing neighbor to the west have taken on new meaning and a sense of urgency, as a good relationship with South Korea becomes increasingly important in the maintenance of stability in the Asian-Pacific region. That relationship will continue to be affected by DPRK-ROK developments. Though South Korea may never relinquish the fears that Japan will move independently regarding its policy toward North Korea, it is safe to predict that Tokyo will continue to give top priority to its relations with Seoul and exercise caution in its dealings with Pyongyang so as not to jeopardize its friendly relationship with the ROK.

Other indicators of a change in the Japanese attitude towards its international outlook can be found in the waning of Japanese opposition to the U.S.-Japan security treaty and to Japan's Self-Defense Forces. Opinion polls (see Table 11) confirm the observation that a majority of the Japanese people favors the security treaty and the retention of the Self-Defense Forces.

Although some of the more hawkish Japanese leaders have called for a stronger, autonomous self-defense force, independent of the American alliance, this option is unlikely to be implemented in the foreseeable future. Nonetheless, the majority of Japan's policy makers do appear to favor a larger role for Japan in defending its own security interests, be they foreign or domestic. Japan can contribute indirectly to Asian-Pacific security in one extremely important way by enhancing its own capacity

TABLE 11  
ARE THE SELF-DEFENSE FORCES NECESSARY?

PMIO\* Polls 1959-1981

QUESTION: "Do you think that it is better to have the SDF or do you think it better not to have the SDF?"

	1959	1963	1965	1967
Better to have	39%	52%	82%	77%
Better not to have	5	3	5	6
Don't know	12	7	13	17
	1972	1975	1977	1981
Better to have	73%	79%	83%	82%
Better not to have	12	8	7	8
Don't know	15	13	10	10

\*Prime Minister Information Office

Compiled from two reports (dated October 1983 and May 1984) published by the East Asia & Pacific Branch Office of Research, US Information Agency, Washington, DC.

to defend the Japanese homeland and surrounding seas. In a geopolitical sense, then, a secure and stable Japan is integral to the maintenance of security in Northeast Asia, and by extension, the entire Western Pacific.

Consequently, in the long run, there will emerge a Japan with a markedly enhanced security role. The primary reason for this change lies in the strategic environment, which is likely to become considerably more forbidding. Guarantees of

uninterrupted oil flow from the Persian Gulf can no longer be assured--neither can stability on the Korean peninsula. The Soviet military build-up in Asia and elsewhere in the world shows no sign of abating whatsoever, while at the same time, American military protection will become increasingly stretched in the Pacific as U.S. security interests continue the shift westwards towards the Persian Gulf region.

Should Japan decide not to pursue a policy of increasing quantitatively and qualitatively both its defense forces and defense role, it could face possible neutralization of its military efficacy by the USSR, as it can be expected to see the Soviet Union continue to exert its military and political pressure on Tokyo by demonstrating more frequently and impudently its naval and air power in the areas around Japan. In addition, as Japan moves forward in its quest for economic security, it will find itself unable to ignore the linkage between its economic and military policies, facing increased demands from Washington, Seoul, and abroad to reconsider its role in the regional security network. Japan's economic preponderance is already the cause for the current strained trade relations between the US and South Korea, relationships which Japan could ill afford to exacerbate with charges of "free-riding" by not shouldering a fairer share of the burden for the defense of East Asia.

The relationship between Japan and the United States will be severely strained unless Tokyo displays more than superficial alterations in its military and economic policies. The importance of the U.S.-Japan Security Treaty becomes even more critical because it forms the framework on which international politics in Asia is based. As established earlier in this thesis, many countries of Asia are finding that the existence and indeed, the maintenance of friendly Japan-U.S. relations based on the security treaty is making a positive contribution to peace and stability in Asia.

Tremendous economic growth has brought Japan international prestige but it is beginning to recognize that being an economic power also entails political responsibilities, and that Japan can no longer afford to remain an "island of prosperity in an ocean of instability" [Ref. 178: p. 55]. Japan, which has achieved an international status as a major economic power, probably will start to play an enhanced political and military role as well. In so doing, it will give top priority to cementing its ties with the United States and strengthening its relations with China, South Korea, the ASEAN states, Australia and New Zealand.

Japan's role in Asia-Pacific, for the present, will continue to be played chiefly through economics and diplomacy. However, as Japan's international economic activities increase, the more they become a crucial element of its overall security policy. Thus, as Japan becomes more involved in economic interaction with developing countries where it trades and invests, its relations with them will carry over into the realm of politics despite its efforts otherwise. Japan's voice in the political and diplomatic realms will grow in importance as Japan seeks to more directly influence the course of events in the Asian-Pacific region.

Considering the international situation as it is today, Japan must not lose sight of the direction in which its leaders have shifted its foreign policy. Japan shares with the United States and the free world, the basic ideals of a free, democratic society and a peaceful world order made up of nations capable of settling their problems without recourse to force, through international institutions such as the United Nations. Despite the extremes of viewpoints in the political spectrum, the majority of the Japanese people believe in these ideals.

What is perhaps the most significant fact about this is that Japan has become a source of encouragement for those newly rising countries that are finding the road to



prosperity and stability a difficult one indeed. Japan's success in becoming Asia's most advanced industrial and scientific nation, after many years of "conflict between the forces of totalitarianism and democracy" [Ref. 179: p. 333], seems to inspire in the other nations of the Asia-Pacific, faith in themselves, democracy, and the preservation of peace through international law and order. Japan's immense economic power inevitably entails a dominant position in the Asian-Pacific region, but it is essential that Japan maintain and promote friendly bilateral relations with its neighbors there. Japan's expanding economic, political, cultural, and diplomatic activities will no longer be geographically centered, but will ultimately be spread around the world.

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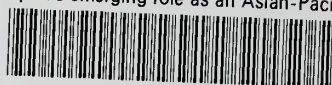
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